# ADVANCED MANAGEMENT

Quarterly Journal

The Society for the Advancement of Management

Professional Ethics and Social Change
Organization for Long-Term Effective Selling
Human Relations in Industry
Management—Tongue-Tied, Deaf and Blind?
Collective Bargaining Sidetracked
Management Strategy in Labor Contract Negotiations

### ADVANCED MANAGEMENT

#### Quarterly Journal

Published by The Society for the Advancement of Management, Inc. 84 William Street, New York 7, N. Y.

VOLUME XI

September



1946

NUMBER 3

#### CONTENTS

Comment—Ordway Tead	81
Professional Ethics and Social Change—Morris L. Cooke	8
Opportunities to Organize for Long-term Effective Selling-John G. Neukom	93
Human Relations in Industry—Sam A. Lewisohn	97
Management—Tongue-Tied, Deaf and Blind?—John J. Corson	101
Collective Bargaining Sidetracked—Herbert G. Heneman, Jr.	10
Management Strategy in Labor Contract Negotiations—Russell L. Greenman and Elizabeth B.	
Greenman	111
Book Reviews	120

#### EDITORIAL COMMITTEE

- ORDWAY TRAD, Editor of Economic Books, Harper & Bros., New York, Chairman
- J. ANSEL BROOKS, Professor Emeritus, Newark College of Engineering, Madison, Conn.

EVELYN BUCKLEY, Consultant, New York

Irene J. Krol, Assistant Editor

Opinions herein expressed are not to be interpreted as official Society policy. They are solely the responsibility of the respective authors.

#### EDITORIAL BOARD

- C. B. BULLINGER, Head, Department of Industrial Engineering, The Pennsylvania State College
- H. P. DUTTON, Dean of Evening Division, Illinois Institute of Technology, Chicago
- JOHN J. PURIA, Division of War Training, New York
- L. CLAYTON HILL, Works Manager, Eagle Pencil Company, New York
- VERNON D. KEELER, Management Consultant, Beverly Hills, California
- Asa S. Knowles, Dean, School of Business Administration and Director of Industrial Extension, Rhode Island State College
- RENSIS LIKERT, Head, Division of Program Surveys, Bureau of Agricultural Economics, Washington, D. C.
- D. H. MACKERZIE, Associate Professor of Management and Accounting, University of Washington, Seattle
- E. W. PALMER, President, Kingsport Press, Inc., Kingsport, Tenn.
- PHILIP O. YEATON, Head, Department of Industrial Engineering, University of Florida
- DALE YODER, Professor of Economics and Industrial Relations, University of Minnesota

NCED MANAGEMENT is the successor to The Society for the Advancement of Management Journal; the Bulletin of the Taylor Society and of The Society and Information of the Industrial Engineers. Published quarterly. Per year to Members \$3.00, to others, \$6.00. This issue \$1.50. It is included in the indexing of the Industrial twich is obtainable at Public Libraries. Sprint of extracts up to 50 per cent of the whole of any article herein is authorised, provided the source is mentioned. The full name of this periodical ed when quotations, reprints or abstracts of material are made, as follows ADVANCED MANAGEMENT, Quarterly Journal of The Society for the Advance-langement. In return the Society appreciates complimentary copies of the publications containing such reprints. Permission to reprint more than t must be arranged through the office of the Society. An exception to this provision is to be noted, however, in those specific cases where individual we already been copyrighted by the author and where, therefore, no provision for reprinting can be allowed.

\*\*Level 1945\*\* The Society of the





## Comment

Partience is conclusive that agreement upon programs of action is easier to get than agreement upon basic outlooks or ideologies. To discover common grounds for action yielding common benefits is a first requirement of practical cooperation. In consequence it is more important to emphasize and operate together that which is agreed upon than it is to fixate upon and propagate those principles which by their very abstractness lead to controversy both semantic and metaphysical. Just as Emerson said that men are better than their theologies, so also is it valid to observe that they are better than their economic theories and philosophies.

These remarks are prompted by a growing recognition among us of a profound difference of view and of method about the conduct of an economic system, as between the United States and Russia. The problem has great importance for management from two points of view. Every manager as citizen is interested in peace. And, even more directly, every manager has some opportunity to forward a sympathetic grasp of the actual programs which will demonstrate the unique benefits which "free enterprise" can bring into existence. For it will never be enough for American managers to talk "freedom," "private property" and a "free market," if words are being used to obstruct or to delay the working of managerial policies which will in fact yield high employment, low costs, reasonable prices, stability of production and job security. Indeed, it is of the essence of economic survival for a free enterprise, profit system in a democratic society that it truly assure for the vast majority of persons the reality of their genuine freedom and of their participating directly or indirectly in all the benefits of the system including the fact of profits.

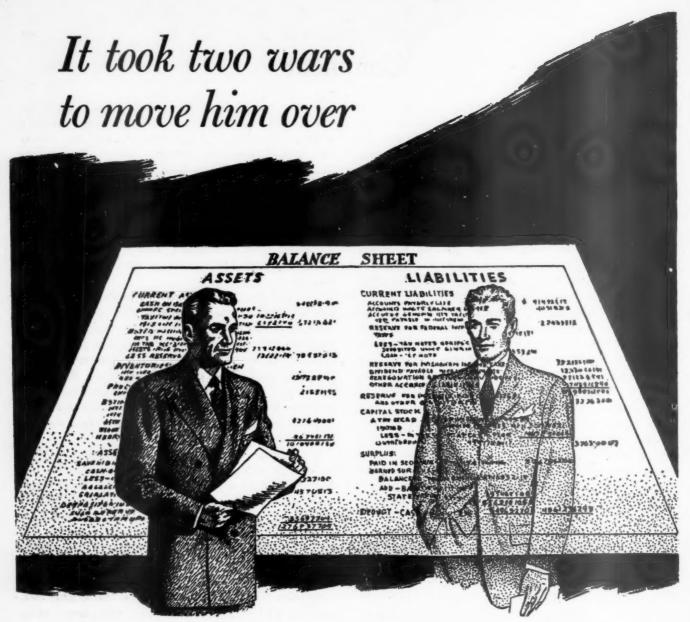
Personal freedom achieved through each individual's job relations and a realistic sense that each is a beneficiary of a profit system—these are necessary aims which have to be prominent in the thinking of managers. True, they are not solely responsible for such realization. But the initiative and leadership to help realize these aims is more largely theirs than managers yet typically acknowledge.

The underlying American view has tended to be that if something called freedom is present in that part of our economy which is the initiating and management of production, freedom will more or less take care of itself in the matter of adequate distribution. We know we have a relatively high standard of life, even though the painful truth is that nearly one half of American families had in 1945 before taxes an income of less than \$2,000 a year (Figures from Federal Reserve Board). And it is our majority belief that our kind of economic system can at once improve our material standard of living and assure the blessings of personality fulfillment for the life of more and more individuals. This is what the "democratic way of life" tends to mean to us—as an aspiration.

The fact that we have not succeeded in anything like a complete translation of this belief into the working of our system, is less often emphasized. And there are still managers who do not realize the distance between our promise and our performance. Yet it is the discrepancy between our professions about the "American way of life" and our actual industrial practices that has led to grave misunderstanding and tension, both within our own country and sharply in our relations to Russia.

For Russia—if one may venture to interpret—also believes in a high national standard of life for all. And it seeks the security that will enable its national leaders to direct a program deliberately planned to this end. It assumes that such security is not now present and that improved material well-being cannot be attained, if world conditions are such that major productive energy has to be deflected to production of war goods. Interpretation by them of what world conditions militate against their internal security is a political and diplomatic question even more than it is an economic one at the present moment. How far territorial aggression is integral to their security is indeed one of the major points of difference of view with this country.

But the facts also are that we have the atomic bomb; we have potential credits which might ensure more rapid capital expansion in Russia; we have the technological "know how" which Russia needs. Indeed our very standard of life and manner of life are of a favorable quality which Russian leaders seem afraid to have discussed and publicized within Russia. Their view seems to be that a monolithic, one party state, centralized in plan, direction and execution, can offer enough material advantages to compensate for the lack of that wider personal free-



Thirty years ago business regarded the auditor as a liability. He was strictly overhead ...his firm never considered him to be an important profit creating business factor.

But two wars and many vast changes in the country's economy revolutionized the philosophy of business operation... gave status to the internal auditor—now a positive asset to management. Today the internal auditor... vital liaison between policy and practice... checks all the many complexly interlocked phases of his firm's operation.

He sees that policies passed upon at the board meetings are carried out in the factory and the offices. He finds out whether the paper-plausibility of the projected plans is confirmed by actual operating conditions. A profitable man to have on management's payroll... the internal auditor serves best when he has ready access to an abundance of current reliable facts.

McBee is not an auditing firm...but with products and methods evolved in 40 years of experience...aids the internal auditor by making fresh facts available faster.



#### THE McBEE COMPANY

**SOLE MANUFACTURERS OF KEYSORT** 

295 Madison Avenue, New York 17, N.Y... Offices in principal cities

dom and autonomy which Americans prize so highly. Freedom in our sense they appear to deem a luxury which would today be bought by their citizens at too high a price—whatever may be the hopes of making it a reality a generation hence. They want to be free to provide assured livelihood from the top down. We want to be free to let people assure their own livelihood, provided this does not yield results too obviously at variance with the public interest.

In other words, there are crucial phases of national policy and economic operations as to which agreement presents grave political difficulties. But there are also phases of economic policy where agreement should be easier in the interest of both countries. And it will help in the settlement of the most difficult issues if the business men in our country can continuingly hold in view the fact that there are also other issues critical to world stability upon which agreement can be far less difficult. In order to keep the climate of opinion for international dealing sufficiently sympathetic for good outcomes to be reached, it is thus important that our total thinking keep to the fore the possible common aims no less than the present disparate ones.

Such common, or at least adjustable, aims have to do with access to raw materials and to capital goods, more liberal extension of credits and development of export and import trade, access to the latest technological knowledge, such internal operation of each economy in its relations with worker-citizens as will obtain high productivity. If in certain of these objectives our country may seem on the surface to have more to give than to gain, it has to be realized that we have everything to gain by the advancing of those economic policies which both reassure and rehabilitate Russia.

A prosperous Russia (in its terms) is the condition of a prosperous America (in our terms). And for us to see the conditions of a prosperous Russia and to try to aid in obtaining these,—this is one-half of our strategy. The other half is enlightened concern for the bases of our American prosperity. The stability, productivity and humanly harmonious operation of our system is thus one of the best assurances we can give to Russia that the two kinds of economy can dwell together in the same world. But the initiative at this point and on these issues is a responsibility of America's industrial leaders (both of corporations and of labor unions). It is acute economic depressions; it is frequent large-scale and crippling strikes; it is our economic imperialism abroad; it is foreign trade in misrepresented goods—it is these aspects thus far too familiar in our system, which Russia points to and says in effect "our economy is not safe when confronted by the kind of economic influences you Americans allow your system to generate, because they produce disruptive consequences throughout the world economy." Our only valid answer to such by no means groundless fears, is to put our own house in order. And a further condition of having our answer accepted (as performed) is for us to acknowledge the right and the possibility for another great nation to run its own economy on premises other than our own, even while we deal with them in many reciprocally beneficial ways.

To keep on the watch always for economic concerns as to which we can and should collaborate—this state of mind can be helpful. It will be helpful even while we recognize the serious difficulties as to which agreement is harder to secure.

To stress the possible common aims which the two countries should be trying to realize on the one hand, and, on the other, for us all to strive more sincerely to operate our own system so that continuing, universal and autonomous well-being is being achieved,—this total effort would do wonders toward making it possible for peace to grow because programs of common action were succeeding.

ORDWAY TEAD

Correction: The article "Organization—Foundation of Management" by Lounsbury Fish, published in the June, 1946 issue of Advanced Management (Vol. XI, No. 2), omitted mention that the paper was prepared and presented before the Second Annual Northern California Management Conference held in San Francisco, February 14, 1946.



Today, war worries have been succeeded by an atomic turmoil. Far-reaching changes have always followed wars and the man who has kept pace always comes out on top.

Come what may, one need is never completely filled—the need for competent executives to direct business and industry. In tumultuous times like those of today, this demand multiplies. Right now, the outlook for ambitious men is brighter than ever before—if they have the training to take advantage of opportunities.

The training needed is not narrowly specialized, but goes broad and deep, probing the basic principles that underly all business. It provides the knowledge that enables men to direct the activities of others not in one department or one kind of business, but in any business. It supplies the "know how" that enables top executives to manage any business.

#### How to get such executive training

Training of this kind is provided by the Modern Business Course and Service of the Alexander Hamilton Institute. The Course covers the four major functions of business—Production, Marketing, Finance and Accounting. It turns out not accountants, or salesmen or production men, but executives!

Fill in and mail this coupon today, and a free copy of "Forging Ahead in Business" will be mailed to you.

#### Takes months instead of years

This knowledge takes years to acquire by ordinary methods. Through Institute training, the process is concentrated and thus finished in a matter of months. It does not interfere with a man's present position, being taken at home, during spare hours. More than 430,000 men have subscribed; many call it "a turning point in their lives."

#### Many prominent contributors

One reason why the Institute Course is so basic, thorough and scientific is found in its list of prominent contributors. Among them are such men as Thomas J. Watson, President, International Business Machines Corp.; Frederick W. Pickard, Vice President and Director, E. I. du Pont de Nemours & Co.; Clifton Slusser, Vice President, Goodyear Tire & Rubber Co., and Herman Steinkraus, President, Bridgeport Brass Company.

#### "Forging Ahead in Business"-FREE!

You can read the Institute's stimulating story in the 64-page booklet "Forging Ahead in Business." Convenient, timesaving, it is offered without cost or obligation. Simply fill in and mail the coupon!

ALEXANDER HADER 452, 71 We New York 10, N.	st 23rd St.	INSTITUTE	
In Canada: 54 V Toronto 1, Ont.	Vellington	Street, West,	
Please mail me, the 64-page bool IN BUSINESS."	without co k—"FORG	st, a copy of ING AHEAD	
Name			
Firm Name			
Business Address.			
Position			
Home Address			
		•	

Alexander Hamilton Institute

# HUMAN FACTORS in MANAGEMENT

edited by

Schuyler Dean Hoslett

This outstanding new book on human relations brings together significant contemporary writing on the subject by such leading professors, executives, researchers, and consultants as Ordway Tead, F. J. Roethlisberger, C. I. Barnard, Douglas McGregor, I. M. Goldsen, John French, Robert N. McMurray, Arthur Kornhauser, and others.

Human Factors in Management is an integrated book on the important results of research and reflection in the field of human relations. It deals with leadership and the training of leaders in human relations, with human relations at the work level. and with the use of counseling to facilitate adjustments. Published at \$4, cloth bound, 324 pages.

#### PARK COLLEGE PRESS

Parkville, Missouri

## Professional Ethics and Social Change'

By MORRIS LLEWELYN COOKE

Consulting Engineer, Philadelphia, Pa.

HE ethical problems of life in a monk's cell or in an ivory tower were insignificant as compared with those involved in the current global environment. As our world shrinks, the effects of conduct carry further and unethical practices exact correspondingly greater penalties. From a share of responsibility in this situation no one can escape. In a primitive society the tooth and the claw may have been necessary for survival. But in a complicated society cooperation becomes increasingly desirable. In fact each betterment in the standard of living means that a larger percentage of the population reaches the status where ethical conduct becomes profitable—to the individual and to society at large. Hence even a tentative discussion of the practicalities of the present-day situation may be worthwhile.

Webster's dictionary defines ethic as "character, or the ideals of character, manifested by a race or a people;" ethical, as "professionally right or befitting, conforming to professional standards of conduct;" and ethics, as "the morals of individual action or practice." None of this language seems to be sufficiently precise or to be closely enough related to the' very concrete situation posed by my title. So may I consider ethics as the rules of conduct for effective action looking toward socially desirable ends. Our goal is not to class as ethical only that which society has already decided to be in its best long-run interest. The times require aggressive exploration on a wide scale rather than conformity to accepted patterns. My definition, while possibly a bit more concrete, does not of course make it too easy to decide just what is ethical in any given situation. Perhaps this is as it should be because when conduct becomes arithmetical it has lost its flavor and probably its importance as well.

The discussion of ethics at this time necessarily takes on added meaning because of the rapidly evolving world situation. Not so many years ago—certainly not much more than 100—the great mass of mankind wrested a meagre existence from small plots of ground held by tenuous titles, and lived lives completely detached in thought and action from the rest of their kind. The concept of "one world" had not been born except in the mind of a dreamer

here and there like William Penn with his "Plan for a Parliament of Nations." There were no activities like the missionary movement seeking to provide all peoples with common standards of conduct. Certainly the world community had less cohesion than a cage of monkeys.

Now, however, we speak glibly of global warfare, global geography; of regional, inter-regional and international development; of large-scale migrations involving millions of people. New ideas, formulated for the easy comprehension of all peoples, flash back and forth over the whole earth, their transmission facilitated by all the modern means of communication.

So now we must take into our consideration the tempo at which our civilization is moving. We must reckon with world-wide ideas, forces and movements, any of which may affect us or be affected by our individual acts. After heroic sacrifices, we have won a war but unless we reckon with the changed conditions brought about by a closely-knit world the peace may easily prove a tragic failure.

#### A New Set of Ethics Imperative

The United States has emerged from war with the power and resources to develop an ethical and lasting peace. This means that, as individuals and through the groups of one kind or another with which we are affiliated, action of a high order must be forthcoming. We must be guided by a new set of ethics or our civilization will become a shambles. He is indeed fortunate to whom the Creator has given the capacity to find zest and joy in such a quest.

It is equally important for us to consider in this connection—not only that "Time Marches On"—but also the rapidly augmenting import of what occurs in each succeeding envelope of time. This may easily be a happy realization for those of us who have been restive under the static quality which at so many points has affected American life. At a somewhat higher level in our thinking and dreaming it gives promise of a "genuine new world order, the Christian ideal of comradeship and social justice."

"It has been pointed out by Julian Huxley that during the millions of years of geologic time during which animal evolution has been in progress there has been a progressive acceleration of the rate of change. This speeding up of change has been

<sup>&</sup>lt;sup>1</sup> Adapted from the Felix Adler lecture before The Ethical Culture Society, May, 15, 1946, New York, N. Y.

most rapid during the past five thousand years of human history, until now there may be more radical change within one generation than in millenniums of former times. This is due largely, he says, to the impact of modern science upon the social structure and, more fundamentally, to the transfer of the evolutionary process from the physical to the mental realm. We have reached the point where 'man must become consciously evolutionary' instead of blindly geared to a cosmic and social machine which he does not understand and cannot control."<sup>2</sup>

This is a rigorous instruction card for individual men and women and really leaves the development of the individual the determining factor in our evolving ethical relationships. It emphasizes the importance of what is said to have been Felix Adler's cardinal principle: "The relation between person and person is mankind's supreme concern." An extension of the same idea was expressed by President Roosevelt when he said "We must cultivate the sense of human relationships—the ability of all peoples, of all kinds, to live together in the same world, in peace."

#### Influence of Professional Groups

Because of the very nature of ethics we cannot relieve the individual of any part of his personal and inalienable responsibility for the maintenance of high ethical standards. And yet we would do well in a society increasingly influenced by a wide variety of groups to inquire into the influence they exert in this matter of ethics through direct corporate action and indirectly through influencing the behavior of their members when acting individually. Do these groups—social, governmental and professional—foster the qualities of ethical conduct which we prize and if so, how?

Social evolution is now recognized as only an extension of the whole evolutionary process. Joseph Needham, one of the world's leading bio-chemists, describes the sequence as "From ultimate physical particle to atom, from atom to molecule, from molecule to colloidal aggregate, from aggregate to living cell, from cell to organ, from organ to body, from animal body to social association, the series of organizational levels is complete. . . Social evolution is continuous with biological evolution, and the higher stages of social organization, embodied in advanced ethics and in socialism, are not a pious hope based on

optimistic ideas about human nature but the necessary consequences of all foregoing evolution."<sup>4</sup> This idea gives a new significance to the groupings constituting modern society and to the individual responsibility each of us has as to the ethical conduct of the particular groups to which we belong.

The professional groups have been chosen for this discussion because, by and large, what seems like the "best opinion" in this country accords to professional men and women the status of intelligentsia. The fine edge having worn off the time-honored and quite exclusive leadership of the propertied classes, professional people could easily take the helm if they would shed some of their treasured inhibitions, leave their ivory towers on occasion and mix, especially during periods of stress, with the hurly-burly we call American life. Perhaps it is not going too far to say that if professional people do not seize the torch of leadership it may fall into hands less well equipped to guide us over the uncharted seas through which our democratic society must find its way in the years ahead.

Who are these professional groups? Once upon a time—as recently as my boyhood days—it was possible to refer to the three "Learned Professions" theology, law and medicine—without having your tongue in your cheek. Now we have the American Council of Learned Societies, twenty-four of them, each adding a modicum to the finer atmosphere of American life but none of them large or particularly active in public affairs. Outside this somewhat rarefied atmosphere are many large groups of relatively recent origin, most of them comprising professional personnel indispensable to modern society, such as architects, accountants, engineers, scientists, educators, and economists. Included are some groupings which, because they are "not purely commercial" fall within the dictionary definition of "professional." Beyond the periphery of this area lies a maze of organizations of qualified legitimacy with commercial motivation becoming more and more blatant, sometimes to the breaking point, as witness this appeal in the report of a recent Liquor Dealers' Convention at Atlantic City:

"The public will fully realize that we are making sincere efforts to provide alcoholic beverages for social drinking and not for the dollar profit."

<sup>&</sup>lt;sup>5</sup> From "Scientific Method and Human Values" by C. Judson Herrick, Professor of Neurology, Emeritus, University of Chicago, The American Scientist, April 1946.

<sup>5</sup> "Man's Work as a Basis for Democratic Reconstruction" by Robert D. Kohn, Felix Adler Lecture, 1944.

<sup>&</sup>lt;sup>4</sup> From "Time the Refreshing River" by Joseph Needham, Sc. D., F.R.S., p. 15, George Allen and Unwin, London.
<sup>5</sup> See "Science Should Knock at the Door of American Polities" by Morris L. Cooke, The American Scientist, Spring 1946.

3

S-

n-

al

ct

is

se.

0-

a.

id

S.

if

s,

e-

ly

00

ne

115

ξh

he

as

ur

an

n,

of

ly

at

a-

es-

y,

ts,

S-

ze

n-

ıt,

iis

rs'

rts

for

S.,

by

It must be admitted however that the great majority of associations of business, trade and manufacturing interests, while they may be commercial in the main, do perform functions of considerable social value in times of both war and peace. As to the professional societies and those business groups including the non-commercial among their objectives we must distinguish in this matter of ethical conduct as between the organizational attitude and activities and that of individual members having in mind that one can be as fully commercial inside a professional group as outside of it.

#### Professional Status for Elected Labor Officials

Professional people properly assume that there is for each classification a definitive body of thought and a discipline which, once acquired in school and college or otherwise, assures one a status, come what may. There is no temptation to get too far away from such a standard. But this does not bar out from the professional classification certain unorganized individuals who perform functions of the greatest social importance, such as certain of the elected officials of labor unions.

Here is a category of citizens upon the competence and trustworthiness of whom the public interest depends in a very peculiar and vital fashion. It is a group which acquires its technical skill and know-how with a minimum of public assistance and under trying conditions. These people usually do fight through for decisions based as largely as conditions permit on ethical considerations. Our society is changing its standards as to what constitutes social worth. Because all the shifts do not appear to be in the public interest does not alter the fact. The labor movement is growing up. More and more is being made of education for rank-and-file as well as for leaders. In at least one union, to have taken certain educational courses is a prerequisite for holding office.

In setting up rules as to who should be included in this professional classification we should use the greatest caution to make sure that they are tenable if challenged. The inclusion of mathematics—essential in the case of engineering—cannot be considered as a universal test as to what does or does not justify professional status. There is no mathematics in theology. On the other hand, the prominence of the public interest may well be quite an important test, for professional status is apt to be quite meaningless unless accompanied by a recognition of social obliga-

tion. Surely there is a far greater public interest in the forward-looking conduct of the labor movement than there was, for instance, in architecture before the days of multiple unit housing. It will be well if society does everything possible to bring about the professional status of elected labor officials.

#### The Public Interest?

The record shows that in very few cases has the dominant group of any profession—by that I mean the one composed of the largest number of most representative and best qualified practitioners—sought to advance the public interest by group action except as through its publications and preachments it may encourage the members to a higher level of technical performance.

It has been assumed in the past that professional codes of ethics have guarded not only individual practitioners but society against unethical conduct. Very few of these documents ever had what can under present standards be fairly called ethical significance.

The present day status of professional codes is so tenuous that among the more influential of these groups it would be difficult to secure active interest either in revising an existing code or drafting a new one. It has come to be recognized that all life has become so complicated that the difficulties of describing in a necessarily short document the ethical musts and must-nots are practically insurmountable.

Where socially-minded collective action is taken it seems to come about through dissident groups such as the Lawyers Guild, the Physicians Forum and, in the case of the physical scientists, the considerable number of recently organized groups having as their chief concern the settlement of questions connected with nuclear energy. But in all such cases the percentage of protestants seems pitifully inadequate for the needs of the hour. So much depends on organization and publicity in promoting causes that the single individual protestant within a group is more and more handicapped. There are outstanding examples indeed in which some of our most distinguished professional organizations have sought to block social developments, allegedly to safeguard the public's own best interests but actually to maintain the status quo and to protect private as contrasted with public interests.

#### Medical

Take as an example the medical profession. Several years ago we had the fight against the group practice

of medicine which was conducted relentlessly by the District of Columbia Medical Society. This case reached the Supreme Court of the United States and there it was decided in favor of the people and the 3,000 government employees who through their own organization had sought to provide adequate and inexpensive medical service for themselves and their families.

Much more important of course is the fight now being conducted by the American Medical Association,6 and its satellite agencies such as the National Physicians' Committee, against federal legislation for health insurance for all the people as provided by the Murray-Wagner-Dingell bill, which is comparable to the medical service in a number of foreign countries. The National Physicians' Committee is said to have raised at least \$125,000 a year for the last three or four years from individual physicians and medical society treasuries to carry on the fight against the bill. Some county medical societies have levied special assessments on all members for this purpose. The National Physicians' Committee is reported to have raised almost as much more from drug manufacturers.

It is difficult to estimate the sums which have been raised by local medical societies and some state societies to fight state and federal health insurance legislation. The California Medical Association undoubtedly put considerable sums into its campaign against Governor Warren's bill and the labor bills in 1945. \$100,000 would be a low estimate. The Association raised its dues last year from \$25 to \$100 a year (between 4,000 and 5,000 members) for the purpose of providing a war chest.

Many local medical societies or some of their better-off members are paying—or combining with drug firms to pay—for good sized advertisements in local papers. The advertisements are designed by the National Physicians' Committee and mats furnished the papers free. The David represented by the Committee for the Nation's Health advocating the Murray-Wagner-Dingell bill with its relatively trifling funds will of course ultimately triumph against this million dollar Goliath. But one stands aghast at the waste and delay in a matter involving so much suffering and distress.

#### Engineers

Each profession has its own customs and habits both as to the participation of the organization in public affairs and as to the rules—written and unwritten—governing the conduct of the individual practitioner. In both matters my own profession of engineering is to a very great extent conditioned by the employer-employee relationship. The great majority of engineers are employees in private enterprises and are usually associated with the management and so in matters not strictly technical are apt to take on the coloration of the profit motive as contrasted with public service. The situation is further complicated by the sympathy which engineers especially in the higher salary brackets have for the employer's outlook of opposition both to government and labor unions.

It is one thing for a professional organization to fail to take an active hand in forwarding public causes, to remain actually neutral. It is quite another when they line up against the public interest. For instance, experience proves that engineering organizations, whether national or local, which include in their membership any considerable number of the employees of private utility companies-railroad, telephone, electric and gas-are almost sure to be less than neutral in the discussions of public power projects such as TVA and MVA or in the continuing struggle of the people for rates based on cost plus a fair profit. Naturally the membership of most engineering organizations includes many utility employees. The American Institute of Electrical Engineers meets this situation in a way by discouraging the discussion of matters directly connected with consumer services and costs.

Engineering has been officially defined as "the art of organizing and directing men and of controlling the forces and materials of nature for the benefit of the human race." As might be surmised we have difficulty in living up to this concept. Shortly after World War I several score of engineering societies, after elaborate preliminaries, organized the American Engineering Council of the Federated Engineering Societies. The chairman, in opening the organization meeting, said the object was "to deal with public affairs of the city, state and nation where engineering experience and technical knowledge are involved and to take action on other matters of a non-technical character which are of common concern." Open meetings after the UNO pattern were provided for in the Constitution and established. Under the inspiration of its first president, Herbert Hoover, the Council brought out, under the sponsorship of a large and distinguished committee, its first report on

<sup>&</sup>lt;sup>4</sup> See Surrey Graphic for March 1945 (p. 101), October 1945 (p. 412), December 1945 (p. 485) and March 1946 (p. 85).

. 3

un-

ual

of

by

na-

er-

ent

to

on-

her

ers

the

ent

to

lic

ner

or

ni-

in

he

ad,

be

ver

ng

lus

ost

m-

n-

ng

ith

he

ng

efit

ve

ter

es,

an

ng

on

lic

ng

nd

cal

en

or

he

er,

a

on

"Waste in Industry" in which it was stated on indisputable data that employers as a class were responsible for 50 per cent of the waste in industry and the workers for only half as much. This was held to be lese majesté in employer circles. A report on the then existing "12-Hour Day in Industry" proved equally distasteful to the employer group. Then open meetings were held to be impracticable and were abandoned. The reports of the Council took on less and less of the public-interest quality and finally after three or four years the organization folded up. A somewhat similar plan is now in the making. With this experience behind us and the need for united action among engineers more insistent today than it was 25 years ago, we are hopeful that the "free enterprisers" this time will show more wisdom.

#### **Physical Scientists**

The organizations of scientists afford an illustration of quite a different character for the failure of the scientist to be an all-round citizen generally interested in public affairs is due primarily to his absorption in the most fascinating kind of work, followed as it usually is with almost religious enthusiasm. This same type of absorption is found at times in other professional walks. For instance, the Highway Research Board set up by the National Research Council and rated tops in its field, held a four-day meeting recently with over 400 experts in attendance. According to the Oklahoma City Times this meeting was one of the "strangest on record." The men in attendance asked only for rooms in which to meet and places to sleep, and not for entertainment. They spent three whole days listening to and discussing some 40 technical papers. One evening, until midnight, we are told, they "took down their hair" and discussed the highly controversial subject of joints in concrete pavements.

There is considerable evidence that scientists as a class are officially discouraged from participating in political action of any sort. The administrations of many small colleges and even of some of our larger universities discourage their faculties from going beyond their laboratories. The attitude seems to be that scientists are really not equipped for life in the great big world outside. Industrial concerns have very effective ways of exerting mild pressures in the same direction upon their scientist employees.

The shattering realities of World War II and particularly the atom bomb may have started the scientific profession on a new and promising trail. New organizations of physical scientists—numbering many thousands in their membership—have been set up in various parts of the country to work on the problems involved in the domestic and international handling of fissionable materials. No more worthwhile search for the truth can be imagined. The success already had in the defeat of the vicious principles of the May-Johnson bill may encourage this splendidly equipped group to enter wider fields of public service such as housing, health and food problems. Of course the May-Johnson bill constituted a threat to the livelihood of many scientists. Another critical factor in this truly remarkable change of front has been the wide participation of scientists in military research during World War II. It gave to many young and old men and women for the first time a feeling that their contributions need not be limited to a single field of research. Further, physical and biological scientists have a traditional interest in international relations. Their work makes international collaboration a necessity.

The changing attitude of the scientist is well illustrated by the remarks made by a Norwegian woman scientist at the closing session of the recent Unesco meeting in London when in summary she said: "Before the war I went into my laboratory and metaphorically locked the door and wanted the world to go hang. Now I feel like a prisoner in my own laboratory." As a matter of fact it does not seem possible that we shall get the most out of any of our professional people until we have a larger percentage of them becoming conditioned by participating in community activities during their early and formative years. The percentage having had such training is negligible—hence, the 57 varieties of ivory towers.

Here we may well pause and admit that in our modern industrial society we have as yet learned neither how to develop nor how to use the professional. Ours seems to be largely a literature culture; all that we plan or do or decide becomes a matter of record. The series of judgments through which we carry on business, the economy, even the commonwealth, are based on research, conference, experiment, bodies of technical knowledge of all sorts and kinds.

Yet we have not really learned how to make largescale use of men skilled in the various intellectual

<sup>1&</sup>quot; Waste in Industry," McGraw-Hill Co., New York, 1921.

1" The Twelve-Hour Shift in Industry" by the F.A.E.S. Committee on Work Periods in Continuous Industry with a Foreword by President Harding, Dutton, 1922.

trades. We have not learned how to develop individuals who can with knowledge, conscience and wisdom rise adequately to the responsibilities of the times and of the positions they hold. We cannot, as our society carries on, get along without accountants, engineers, economists, lawyers, publicists. Yet a curious paradox seems to attend our attempt to supply ourselves with the specialized human beings who are wholly essential to the operation of that gigantic affair called our culture made up literally of myriad "going concerns" of the most diverse kinds. Creeds, articles of faith, and the values that we delight to serve come clear to the men associated with our colleges and universities. But they are likely to know actual life only by way of the hearsay of the library, documents, learned periodicals, the government reports. Contrariwise facts, experience, cold reality are at least available at first-hand to the intellectuals whose work is with business. But the latter are prone to see the world as vassals of corporations, to assume that all experience is like the small fragment to which they have been exposed, to mistake the special for the public interest. Our most urgent task then is to enable our professional men to enlarge their experience, to be public-spirited and objective about what vitally affects them, to fuse an Olympian detachment with a passionate zeal to play the larger game.

While we must have specialists of all sorts, the dilemma I have mentioned seems to inhere dangerously in the office of specialist itself. To be specific, we have accountants, licensed accountants, trained C.P.A.'s, who keep their books neatly-and quite correctly by professional standards-upon whom it never dawns that they set down in a pecuniary shorthand a record of a vital pulsing stand of human experience. Again there is the lawyer, versed in the lore of the world's most ingenious profession, but quite detached from the ways of business and commerce. When confronted by a case which concerns coal or the basing point or freight absorption, he is likely to turn his back upon what he does not understand and to raise issues of procedure and jurisdictional statutory construction about which he is fully informed. Many a layman has seen his "own just cause" converted into "a nice point of law," which he could not understand, while the real issue had to wait on the side-lines for the conclusion of a remote unrealistic bout of dialectic. Again take the public relations expert, who does not know his corporation but only what he wants the public to think of it.

#### Economists

This dilemma is peculiarly striking in the case of the economist. The word has of late come to encompass learned men of quite different skills, occupations and faiths. In general the genus resolves itself into two distinct species: (a) the economist of the campus, a man remote from the world and intent upon the public interest; (b) the economist of the business office, sometimes sincerely concerned with the obligations of his calling, but far too often possessed of ears over-sensitive to his master's corporate voice. The campus economist has his bad and his good points. He is prone to over-generalize, to make things appear simpler than they are, to talk of economics as a science when he makes a theology of it. He can tell how a "price" is made, when he is utterly ignorant as to how the price of coal or cement or waste-paper emerges. Since "economics" is itself a product of liberalism, he stands in the great tradition and can be counted upon to stand on the Lord's side. His great shortcoming is that his economics is a little too much in the nature of articles of faith and not quite enough a flexible kit of tools. He is rather better at preparing and publishing pronunciamentos in favor of free trade, against embargoes, and for economic opportunities than he is in concocting programs that will really work in a world of cartels, sheltered markets and competitive nationalism.

The economist of business is far too often more concerned with the immediate success of his corporation than with the sound conduct of its affairs. He is likely to voice loudly the virtues of a system of free enterprise even when his allegiance is to a corporation which dominates its field. But his free enterprise—as a series of full page ads in all the leading dailies have recently disclosed—is not the free enterprise of Adam Smith and the Manchester School, of antitrust and the Sherman Act. It is a moral doctrine, quite unknown to the men who made the term great. For by this new usage, enterprise means business, usually corporate business, even when the element of enterprise has disappeared; and free means, not as of old that the field, the industry, the business is open to all who want to take its chances, but that it should be free of all regulation or oversight by the government. Thus there is an attempt to appropriate a word which has served a worthy cause to an ignoble use. For the term, as currently corrupted by business economists, has come to mean an immunity of business from public responsibility. And the United

3

ne ss

nd

70

a

ne

SS

a-

of

e.

d

ce

of

of

is

nt

lf

i-

S

d

er

OS

10

g

s,

15

e

n

S

e ·

of

i-

e, t.

Š,

of

S

t

n

States today is no place for a new plague of indulgences.

We need, we badly need, a new type of economist. Already men of the campus have been drifting in and out of public service. Their brief sojourns have brought vision and morals into public affairs; they have brought realities into academic halls. But what has been an expediency needs to be made a living institution. The campus economist needs to ask if his formulas are set too general; if his principles do not reflect a kind of liberalism which has been lost. Can men and women actually make effective and moral headway under his teachings?

There is always a tendency for the living voice of one age to become the dead hand of the next. Conditions change, but our academic disciplines tend to freeze our understanding. In general it is the young man who recognizes his own generation. But there are older economists who are sensitive to the modern world; and there are younger ones whose heads are filled with dogma which represents a society which is gone or never was. It may be that a hybrid type of professorship, with dual service to state and university, is the way to an answer. As yet there has been no such blending between campus and business. Here the work of creating the professional who lives up to his corporate allegiance and yet does not forsake the public interest has hardly begun.

#### Lawyers

The great contributions which the legal profession has made to the organization and upbuilding of the nation, their recent participation in the organization of UNO and its subsidiaries, and the dominant position of lawyers in our present day society, as evidenced for instance by the fact that 300 members of Congress are lawyers, make the organization of the profession in the American Bar Association and numerous state and city associations a matter of very considerable interest in any discussion of professional ethics. Lawyers are too much a part of government to be against it in the sense that business men feel themselves in opposition to it. But lawyers' associations as such and all but a relatively small percentage of practitioners block liberalizing measures so consistently as to make their passage exceedingly difficult. In his "The Lawyer and Democracy" Charlton Ogburn expresses the opinion that "nothing obstructs the lawyer's acceptance of the modern theory of social justice more than the principle of individual freedom of contract" and so he is kept from seeing "that there can be no individual freedom of contract when there is such a glaring inequality of economic status." With the field peculiarly its own, the fact that this profession plays such an ineffective role in the rebuilding of our modern society must be chalked up against it.

#### Educators

Confronted with wide but understandable differences in social philosophy and pedagogical techniques among its members, and thwarted at many points by the American desire to have at least a chance at great riches, the educators organized in a wide variety of associations are in many respects the widest awake among the professions. This applies to the organizations themselves as well as to a very considerable percentage of the membership. This ferment is probably a response to the deep interest which the general public takes in education.

The struggle between the proponents of various types of vocational training and those who would adhere more or less rigorously to inherited types of formal and bookish learning goes on with few holds barred. Training, it is alleged with fervor, is being substituted for education. The advocates of training in turn deprecate the effort "to identify education exclusively with the ability to think."

A somewhat different though equally acrimonious debate goes on between the protagonists of science and those who do not want to lose the type of pedagogy current before the recent spectacular advent of science. True, science did have a very hard time getting its foot in the educational door. But now, in the eyes of the old order, it appears to be running away with the show. Here the problem involved is to so interweave these two disciplines—the humanities and science—that we avoid setting up two worlds where moral and social values will be determined by incongruous standards.

Above all else in ethical significance is how far should the educator go in meeting a widespread public demand for education designed to yield money returns—and little else?

#### Some Remedial Measures

Looking back over this survey, certain remedial measures are suggested. Professional men and women must accept their responsibility to see that group action increasingly conforms to accepted standards for individual conduct. We need in these organizations:

<sup>&</sup>lt;sup>9</sup> First printed in the American Law Review in 1915, reprinted in the Congressional Record January 22, 1937 and later in the United States Law Review.

more democracy—whatever the cost in time and trouble:

more aggressive publicity as to what is going on; full and explicit written minutes and records;

more forthrightness tempered by courtesy, and less pussy-footing;

a few more leaders ready on occasion to stick their necks out;

the willingness to work at times with enthusiasm for distant objectives;

the advocacy of community associations not related to bread-winning vocations for every professional man; the building of a bridge between the technician and the politician;

the avoidance of trouble-breeding line-ups as accomplished by the Quakers in their taking "the sense of the meeting" as a substitute for voting;

and more frequent silences and less table-pounding.

Back of these latter techniques as practiced by the Society of Friends, there is something which on occasion baffles go-getters.

Finally every professional man must have an eye to the influence he exerts on his environment. The expression of undiscriminating fear and forebodings may be actually devastating in human relationships. Take as an illustration the day to day ups and downs of our feelings as inspired by the changing headlines describing what Uncle Joe and his USSR minions have been doing for or against us. Some of my overly-anxious friends are constantly on the lookout for "fellow travellers" in quaint places just as single ladies in my youth nightly looked for burglars under their beds. As to most matters of wide public concern educated professional people are supposed to have enough information to keep them from expressing the type of prejudices which make one ridiculous in

the eyes of those reasonably acquainted with the subject in hand.

There may have been few moments in history when optimism as the dominant note was wholly tenable. Yet our progress to higher levels needs no demonstration. At any given moment—the present for instance—it is easy to marshal an array of facts that spells seeming doom. But it is equally easy to marshal facts demonstrating just the opposite and in so doing one has the whole vista of human history and the record of the rocks in support. Intelligent people should know this and they do know it, whether they act on it or not. We can be most effective by an attitude of discriminating optimism, by being a symbol—if ever so inconspicuous—of constructive hope in a world torn by the conflicts out of which progress is hammered.

After the close of World War I, King Albert and Queen Elizabeth of Belgium paid a visit to Philadelphia and were received with wild acclaim by the populace. A few days later the following stanza appeared in one of our local papers:<sup>10</sup>

"I have seen Albert, in the flesh,
Warrior and King;
And now I know that every one of
Homer's tales is true,
And that Horatius did stand at the
bridge;
And that, beneath the window of
his lion heart,
Blondel did sing!"

The role of Albert, Warrior and King and inspirer of millions, is out of reach for all but the few. But the same quality of living and influence is available to the lowliest amongst us. And this is the shining stuff out of which all the worlds of tomorrow will be built.

Mark Your Calendar

SECOND ANNUAL HUMAN RELATIONS CONFERENCE

October 31, 1946

Hotel William Penn, Pittsburgh, Pa.

A National Conference of the S.A.M.

The second annual Human Relations Award of the Society for the Advancement of Management will be presented during the Dinner Meeting.

<sup>10</sup> See "Realities" by Edith B. Allen, Public Ledger, Oct. 27, 1919.

## Opportunities to Organize for Long-term Effective Selling\*

BY JOHN G. NEUKOM

McKinsey and Company, Management Consultants

'N this first postwar year with its active seller's market, it is particularly hard to plan and organize for long-term effective selling. Many factors of future importance are uncertain and indistinct. The chances for sizable quick profits are bright lures to divert management from the long view to the immediate opportunity for the biggest possible profit

for the current period.

3

he

en le. 'a-

11s

al ng

he

le

ey

an

ve ch

a-

ne

le

It happens, however, that the need for organizing and planning marketing activities for the long term is great in most companies, and the opportunity is genuinely attractive to anyone who can temporarily tune out the siren call of immediate profits for some consideration of this longer view. The opportunity is attractive for a number of reasons.

In the first place most managements have lost, discarded or permitted to die a number of situations that in the prewar period hampered efforts for improvement. For example, unsatisfactory channels of distribution, distributors who were continued for sentimental rather than for economical reasons, unprofitable items or lines that no one had the courage to kill but which died naturally during the war. Secondly, the present seller's market is a lively but pliable thing that will respond actively to changes and improvements in marketing. It is possible to get more aggressive distributors, for example, because more of them are out looking for lines today. It is possible to build better lines because we have better facilities. Finally, the opportunity at the moment is very attractive because sales managers and sales departments are not under immediate pressure for volume. In most cases, total production is selling quickly and profitably. There is available, for those who will use it, time and money to plan for the future.

The opportunity is here as it may never be again. How can one best go about making use of it? Rather than talking in generalities, it occurred to me that I might be more helpful if I discussed one firm's specific program for capitalizing on this opportunity

to organize for long-term effective selling. All statistics have been adjusted somewhat and are presented merely to indicate the practical application of the techniques involved.

This company was born of the war and wants a peacetime career producing and selling a line of quality housewares. With this basic decision as a background, the first step was to calculate the volume outlook for this type of business. Throughout this presentation I want to call your attention to the use of factual data on the one hand, and judgment on the other, as the essential combination in the intelligent application of market research to the specific problems of a postwar manufacturer.

As a basis for volume calculations, assume that the company's primary market is comprised of the thirteen markets in the west (the eleven western states, the panhandle of Nebraska and west Texas, as outlined by Harvard's Tosdal), Hawaii and Alaska. This assumption arises from a judgment decision by management that their greatest marketing effort should be concentrated in the area served economically from the west.

It is apparent that the demand for most housewares is tied to the family as a unit rather than total population. Of the 36,500,000 families who reside in the United States, approximately 5,000,000 of them live in this company's primary market. It is obvious, however, that because of low incomes, a certain number of these families are not potential consumers of firstquality, high-priced housewares. Using \$2,000 annual income per family as the "breaking point," 1,500,000 of these families are thereby excluded from the potential. Consequently the remaining potential is 3,500,000 in the primary market. Note the application of judgment to fact.

Recent consumer panel reports indicate that the average household inventory includes 12 items of the general type manufactured by the Western Housewares, Inc., (if I may use that name as a camouflage) but that of these, only 4 are of the quality and type of material featured by this Company. With an

<sup>\*</sup>An address before the Marketing Management Section of the Second Annual Northern California Management Conference, February 14, 1946, San Francisco, Cal.

average of 4 items in 3,500,000 homes, the potential volume for a normal use-cycle is a total of 14,000,000 new units.

Competent use-cycle estimates for such wares range from 10 to 15 years, to 14 years was adopted as a conservative estimate. Thus, the average annual demand is approximately 1,000,000 units.

It is obvious that this market of 1,000,000 new units must be shared with the competition. If a goal of a 25% share of this available market is adopted (here's judgment again) this Company's average yearly demand is 250,000 units. This is 1,000 units per day on the basis of 250 working days per year. However, for a year or two, demand will undoubtedly exceed this long-run estimate and sales will be limited only by the production facilities of the plant.

Western Housewares' present daily production is around 3,000 units, which clearly is more than the western market alone can absorb in the long term. Incidentally, the rather elementary calculations up to this point promptly terminated plans of some of the management group to make the added investment required to double or triple capacity.

With this volume determination as a background, management decided that they would limit future plant investment to incidental amounts which would balance present facilities. More important, they decided that they must make immediate arrangements to sell a share of their production outside the primary market to develop a "toe-hold" position in that outside area as against the time when the demand in the primary market settled down to the normal average of 1,000 units per day.

The immediate decision was that 2,000 units per day would go to the western market to recognize the present exclusive demand there, and that the balance of production would be shipped east to selective accounts that gave evidence of long-term possibilities. To fill in the detail for this program and to insure its success, it is then necessary carefully to consider policies regarding product line, method of distribution, pricing and sales promotion.

#### **Product Policy**

A program offering the greatest profit possibilities through product development and timing depends for its effectiveness upon the Company's ability to develop, design and produce under competitive conditions in the market. Western Housewares, Inc. already had on the market a line which was in great demand. It seemed obvious that the first step in the

product policy should be to continue to produce and merchandise the present line aggressively.

A limited market check with consumers, however, indicated that the present line lacked several style and appearance factors preferred by housewives. These preferences in a period of a shortage of merchandise are dormant. As soon as conditions become more competitive, however, they will be both apparent and important. Therefore, as a second step in the product program, the Company decided to begin the development and design of a line that more accurately reflected consumer preferences than did the present line.

A check of competitive prices and lines, both present and prewar, indicated that the Western Housewares line was priced above the average of present competitive lines and near the top of prewar quality lines. Under more normal market conditions a comparatively small fraction of the consumer group bought housewares at the prices for which Western was now offering them. As a third step in production policy, therefore, it became clear that if they wanted to appeal to a wide segment of the quality market the Company would have to offer a lower price line when conditions were more competitive. The easiest way to develop a cheaper line was to take the present line, which would be discontinued when the highly styled line was offered, and cheapen it. By doing so, the Company would be avoiding an important investment in new equipment and shortening the time required for development and design.

Finally, a check of the facilities owned by this Company indicated many of those facilities required to bring out a comparable houseware line in another material were already available. Consequently, as a fourth step in product policy the Company will undertake to develop a comparable line in a new metal.

The timing on this program will be about as follows:

- 1. Continue to produce and promote aggressively for the balance of this year.
- 2. Develop and design the highly styled line so that it can be introduced early in 1947.
- 3. Re-design the present line to cut its costs so that it may be put on the market as a cheap line in the middle of 1947. It is important that there be a lag of several months between the termination of the present line and the introduction of the cheapened line in order that distribution channels can be cleared without loss to the trade.
  - 4. Development of a comparable line in a new ma-

3

ıd

T,

le

S.

T-

1e

r-

1e

1e

ly

12

nt

i-

S.

a-

nt

W

y,

to

1e

n

to

e,

d

ne

d

d

er

a

r-

S:

y

at

it

of

t

r

S

terial as soon as there is development and design capacity available.

It should be recognized that this schedule must not be considered absolute, but rather should apply as a guide—to be modified by the changes in competition, consumer preference and production know-how.

#### Distribution Program

Having appraised the demand and suggested the products to be marketed, the problem of how to bring the two factors together through an effective distribution plan arises. Western Housewares is primarily interested in developing a distribution plan that will be effective for the long term. They want to develop an important position in channels that will be effective when competition is more nearly normal.

As a "war baby" this Company has, of course, no distribution background. Consequently, management decided that the wisest procedure would be to adopt the research view and utilize a wide range of distribution channels. At the outset they have decided to distribute in these channels:

- (1) Direct to the large department and housewares stores
- (2) To chain accounts via (a) their own warehouses, or (b) direct shipments to their stores, and (c) through wholesalers to all lesser retail accounts.

It is quite possible that later on this Company may want to restrict its distribution program to a single channel, but the determination of such a policy will depend on experiences in the coming month as the competition becomes more active and a buyer's market develops. The channel that is then most effective will get the long-term call.

Of equal importance is the question of where the merchandise should be distributed. As a geographical basis for the distribution of their goods, the Tosdal trading areas have been accepted, each with a major retail and wholesale city as its hub. Each of these major areas is then further subdivided into basic trading areas with a city of lesser importance as its center.

The following data were accumulated for each trading area on the basis of countries and cities of 5,000 population or more: 1940 population, 1944 population, number of families, retail sales, and wholesale sales. Each of these items was recorded both as actual figures and as a percentage of the entire primary market. For example: by proper reference, it can be immediately determined that Spokane, Washington has 0.98% of the total population, 1.0% of all families,

1.8% of the wholesale sales, and 1.2% of total retail sales in the primary market; the same data could be obtained in actual figures.

These data were then used to establish a series of sales budgets for all cities where the Company saw a need for wholesale or direct retail accounts for each \$50 million in wholesale volume. Generally, retail accounts were confined to localities with \$25 million in retail volume.

Production was allocated in order to assure each account of his fair share of production in the seller's market. District Sales Managers were given a 10% allowance in setting quotas for each account.

The allocation of production on a logical basis is particularly important at this time. By laying a sound foundation now, Western will find that its distribution structure will stand firm when competition rages once more. In the case of this company, present production is being carefully allocated in relation to the market potential of the area, this potential being based on a correlation of three factors: family population, wholesale sales and retail sales. This statistical analysis takes much of the guess work out of quotas, but judgment is still required.

Further, the basic data from this phase of the study are available in practical form for application to future marketing problems and the development of subsequent programs.

#### **Pricing Policies**

Along with a program of distribution, appropriate pricing policies must be established. In this particular company, four phases are of special significance:

First, list prices. The general policy established was to maintain present price levels, which are below OPA ceilings, until they are forced down by competition in a buyer's market. By that time the company should have two lines which will fall in the upperand medium-price brackets respectively and lend themselves to price adjustments to meet competition and the needs of the market.

Second, discounts. All accounts are divided into two groups: those to whom goods are sold for resale, and those who intend to retail. The accepted trade discounts are extended to each of these groups, with accompanying quantity allowances. Quantity allowances recognize the cost advantage of large accounts and are set to encourage these distributors to emphasize the Western line. These allowances are redeemable in merchandise at the year end, since they are based on annual purchases. A further allowance for very

large orders shipped to a single destination at Western's convenience is being considered as an aid to production scheduling.

All discounts, as well as list prices, are rigidly maintained. Special discounts, price cutting, or additional credit and freight arrangements are not to be considered, because this can only lead to confusion, distrust, and an undesirable reputation within the trade. However, this does not mean that over-all revisions of prices and discount policies are not to be considered. They must be reviewed and adjusted in the light of shifting market conditions.

Third, credit. The usual trade practices have been adopted and are carefully maintained. All new accounts must be approved by the home office before credit is extended. Terms are 1-10, net 30. A 1% discount for a 20-day prepayment is generous. Anything greater is really a price reduction in the present money market.

Fourth, freight allowances. Procedures have been standardized and simplified. The entire freight cost the cheapest way is absorbed by the company. This is done either by prepayment or by crediting the buyer with the freight costs upon receipt of the paid freight bill for him.

#### **Promotional Program**

One of the growing problems of a young company such as this one is the coordination of selling and sales promotion and the direction of these efforts toward the right consumers at the right time. They have the problem not only of meeting competition on equal terms, but also of establishing their position in the field for the first time.

As the first step in implementing this program, an experienced sales promotion manager has been added to the Sales Department staff. He will supervise all merchandising events and activities and will coordinate the development, promotion, and selling of all lines. As a second step, an advertising agency with experience in promoting consumer goods has been retained. All agency work is developed in cooperation with the sales promotion manager.

Present intentions are to concentrate most promotional effort in the primary market through regional media and local promotional efforts. Certainly, advertising on a national scale should be delayed until they are firmly established from the long-run competitive viewpoint in the western markets. It is of prime importance at first to back up selling effort in this field with a sound program of advertising and

special promotional events. The various media to use, the specific cities in which to concentrate, and the nature of such promotional work should be determined only after a careful analysis of the market and the localized needs for assistance. However, there should be a fairly close coordination between the amount expended and the sales potentials of the various trading areas.

Following a check of the prewar experience of comparable lines, Western has set a "kick-off" promotional budget of 3% of sales, including administrative expenses. Ultimately this will almost surely grow to 4 or 5%.

#### Organization

The Sales Department is organized on a geographical basis, with the General Sales Manager at its head. All District Sales Managers and Staff Assistants report directly to him, and he is, in turn, directly responsible to the President for the successful operation of his department.

The western market is divided into three districts of comparable potential (again the basic market data were used) with headquarters at Seattle, San Francisco, and Los Angeles. There is a District Sales Manager in charge of each. The accounts in a few basic areas and all accounts outside the primary market are handled by the General Sales Manager and his staff assistants. This means that every member of the sales staff will have actual sales experience and responsibility.

The Staff Assistants are three: the previously mentioned sales promotion manager, an assistant for sales controls, and an assistant for product development. It is a firmly established policy that this staff shall work as a team with those selling in the field to achieve a common objective—an important and profitable position in the housewares market in the West. The plan for having each Staff Assistant personally responsible for a few accounts is an interesting attempt to provide a background of practical selling experience to each member of the sales department.

#### Conclusion

Time has not permitted a detailed presentation of some phases of this Company's efforts to utilize opportunities to organize for long-term effective selling. This may mean that some phases of the picture are not entirely clear. I do want to finally emphasize, however:

First, the extent to which each phase of this over-(Continued on page 110)

## Human Relations in Industry\*

BY SAM A. LEWISOHN

President, Miami Copper Company, and Past President, American Management Association

FEW weeks ago I happened to meet a friend of mine—a well-known industrialist. Normally he is of even, cheery temperament. But this time he was in a mood so disturbed that he could hardly talk. After a while he confided in me what was bothering him so much. He had just been discussing some of his labor problems with a union leader and that, he claimed, "could drive any man crazy." Then he whispered hoarsely, "Thank God, Sam, I have at least one inalienable right: I don't have to live forever. Some day I'll never have to hear the word 'union' again."

3

le

r-

d

le

re

0

1-

1.

e-

e-

n

ts

ta

er

15

re

ff

1e

d

es

111

ve

le

ne

pt

ri-

of

1-

re

T-

Fortunately, my friend still takes nourishment and seems much alive. But unfortunately, his approach to labor problems was not making him happy or more efficient. In tackling other business problems—many, I am sure, as disturbing as those he was complaining about—he was objective and poised. He regarded them as part of the day's work and took them in stride. But normal difficulties with the union hit him as nothing else did.

I wonder if we could not help him—and ourselves—by examining the emotional background with which we react to problems of labor relations. In applying such an approach to the realistic situations confronting us, there are broadly three separate phases of employer-employee relations which must be clearly distinguished. Their clarification will give a clue as to how labor difficulties occur and how they may be remedied.

#### Three Aspects

The first of these phases, which is economic in character, many people, unfortunately, mistake for the whole problem. It is the most familiar because it is headlined in the press and emphasized in the schools. It includes crises over wages, hours and conditions of employment. The struggle is one over the question: To whom do the proceeds of progress belong and in what proportion? The issue is not solely between employer and employee. It also involves the interests of the consumers and the public.

But this economic phase should not obscure the importance of the second phase—the administrative one.

The most significant observation made about industrial disputes during the past two decades is that many could have been avoided through good management of human relations. Because the particular item in an industrial dispute may be economic, should not blind us to the closely related human factor involved in the administrative side of labor relations. Furthermore, this second phase is much more important than is ordinarily appreciated.

When a labor dispute arises, one should ask: How have the employees been treated previously? Was there mutual respect between them and management? Has a sound administrative tradition been established?

A suitable preparation for situations of tension materially reduces their impact and their seriousness. Also, the manner in which the difference in interest and point of view between employer and employee is presently handled, is crucial as to what will happen. It depends on the spirit in which the negotiations are pitched. If, for example, it is impossible for a company to increase a wage or if, as at certain times, it is necessary to reduce it, the manner in which this delicate situation is conducted may determine how the employees react to it. A proposal made in a sympathetic manner may be met with understanding acquiescence, while a brusque gesture may be countered with a spontaneous resistance. In such a case, what seems to be an economic issue is to a large extent, or entirely, an administrative one. The method of handling the problem rather than its innate difficulty led to the trouble.

In other words, in addition to the stereotype of our classical economists—the "Economic Man"—there is an "Administrative Man" who is part of a complicated organization trying to achieve results. Employers and employees partake of both. In his role as "Economic Man" an employer's concern is with profits. As "Administrative Man" his concern is the teamwork and satisfaction of those in his employ. For labor was correct when it resented being called solely a commodity. And not to recognize that besides the economic problems there were human administrative problems, was a cardinal error of our 19th century economics.

One of the difficulties with labor relations is that the economic and the human, administrative phases

<sup>\*</sup> Reprinted from *The Proceedings*, Vol. XXII, No. 1, May, 1946, "Labor Policy and Labor Relations," published by The Academy of Political Science, Columbia University, New York.

are so enmeshed that it takes an intellectual and emotional effort to disentangle them. But if we are to have satisfactory relations, disentangle them we must. For this mingling of the administrative and economic, and failure to distinguish between the two, has been the cause of much of the confusion that exists.

A third phase of labor relations which further complicates the problem is what may be called the *political* factor—that involved in the rivalries and disputes between different organizations of workers striving for control—unfortunately not only between different organizations, but between different factions and different personalities within the same organization. Such unhappy conflicts, today so prominent, have almost no relation to the employer except as a suffering bystander. Indeed, in a large area of such disputes he must be quiescent. As the victim of this bitter struggle between contending groups and factions he has to sit by with his hands folded and suffer in silence.

Using this classification of labor difficulties as a background, I shall proceed to discuss them briefly, not to offer a large-scale program or panacea but to emphasize one method of approach which has both immediate and long-range significance.

#### A Proper Approach

The economic aspect of labor problems will come to a satisfactory conclusion more readily if collective bargaining is marked by a minimum of threatening and bullying, if it is free from arbitrary refusals and hasty condemnations, and if employers and union leaders negotiate in the same spirit and on the same plane as is customary with ordinary commercial contracts. It should be possible to conduct these affairs, no matter how much is involved, with a sense of social responsibility, with calm and efficiency, and with a recognition of joint goals and enlightened self-interest. Business men should be the last to inject a class-conscious spirit or allow these negotiations to be the football of their emotions. Indeed just because the negotiations are between employer and employee should make it the more important that they be not conducted at arm's length. The atmosphere should be one of understanding rather than of hostility.

As an example of this sort of leadership, I cite a paragraph from a letter from an experienced negotiator for a company with whose operations I am familiar. He states:

"In our negotiations the manager and I frequently encounter wholly unacceptable proposals of the Unions, but after investigation we find these are directed toward the curing of a

specific grievance or injustice. As a result of past experience we now ask the Union negotiators frankly just what they are trying for, and why. In many cases we learn that the words used in the Union's proposal are inept or cover much more territory than is required for the curing of the grievance in question. Many times the company is just as interested in adjusting the particular situation as are the employees. With a thorough understanding of the situation and the absence of any prejudice, a compromise is frequently arrived at to cover the situation, whereas without investigation and understanding, this could have led to a complete breakdown of negotiations. In a great many instances the Unions either acquiesce or request us to redraft the section in question in such form that the Union's real objectives are achieved without including in the contract any commitments objectionable to the company."

This instance is significant to me because it shows clearly that very often it is possible for management to take the initiative in developing a sounder approach to even the economic aspect of labor relations.

Unfortunately, if we look at some of the industrial situations, in plants small and large, where labor relations have reached an impasse, we observe that too frequently neither side is in the frame of mind to conduct its negotiations on an intelligent, human basis. Or, from the standpoint of the administrative managerial methods, the manner in which various conditions antecedent to the particular occasion have been handled, may have left a strong atmosphere, indeed a habit of suspicion and mistrust, with disastrous results to the two sides and to society. It cannot be too often emphasized that if the workers come to the bargaining table without bitterness and with a heritage of respect and goodwill there is a better chance for settling individual issues.

Now that industry is largely unionized it is more than ever important that there be no diminution in perfecting labor administration. For modern management methods are the most effective means of minimizing trifling irritations which are often symbolic of deeper resentments. A wise, attentive, considerate management is the best way of creating a favorable atmosphere for the settlement of economic issues in which the two sides may stand far apart.

Just at present, as in all periods of economic readjustment, we employers are overwhelmed by the economic phase—with collective bargaining and wage rates. But despite this preoccupation we must not forget the importance of the administration of everyday relations with the employees. The real difficulty of this administrative phase is that frequently it has been treated as a minor matter and not as a major problem. Too often employers have failed to realize that their responsibility as assemblers and organizers

e

n

i-

of

e

le

n

e

e

ot

7-

y

as

or

ze

rs

of manpower is just as great as in mechanical and financial matters.

#### Some Administrative Responsibilities

It is well that we itemize some of the administrative responsibilities to which employers, taking the initiative should give special attention. In many cases there is a regrettable neglect of the modern personnel practices which have proved so valuable to some companies in establishing a human, satisfying relationship between the employee and the institution with which his life is joined. The employer must provide the sense that he is the leader and is furnishing the initiative in making his company an effective one both from the human and technical point of view. He must create a sense of esprit de corps and morale. And, above all, the employer must provide—justice, opportunity and status. To satisfy these desires is an important part of modern employer leadership.

Justice is, of course, just the elemental idea of fair play. I am leaving aside the matter of wages, as this is the economic side of the problem. I am rather referring to the sort of justice which should inhere in the daily relations between executives and their subordinates. The feeling that they are unjustly treated is often created by overbearing, tactless executives, higher up and lower down. In a large organization, officials must make certain that every superintendent and manager has a human point of view toward his problems. Harsh, inconsiderate executives should be eliminated, or persuaded to adopt a more constructive attitude.

When it comes to the matter of *Opportunity*, employers who are alive to the human problems in their organization do everything to make it possible for the workmen to grow and make use of any particular ability they possess.

Status is always prominent in the conscious as well as the unconscious motivation of workmen, as survey after survey has shown. One survey in the nature of a "Gallup" poll, for instance, indicated that the chief desire of workmen was to have their jobs recognized as of some importance in the scheme of things. They wanted to feel that they "belonged."

An essential here is the matter of mutual understanding. The employer should explain to employees the conditions which face them both. Workers may have a vague feeling that some of the things they should like to have from industry are not attainable. But that is only a general feeling which may be belied by misconceptions regarding the course of the com-

pany's business. There is great value in making employees know what the problems of the business are, and what practical limitations are imposed by conditions which neither the employer nor workers can change in a given case. For example, if shut-downs or lay-offs are necessary, the reasons and the procedure should be carefully explained either directly or through foremen. I think industrial executives are appreciating the desire of the worker for mutuality of information as a prelude to mutuality of interest. Above all, in every single operation within the plant, management should make clear just what is required as well as why it is required.

Then there is the matter of security. Unfortunately the attainment of security of employment is largely determined by impersonal economic and financial forces which have an employer at their mercy. But there are various steps of an administrative nature that an employer can take within this general economic framework to straighten out the peaks and valleys of his employment. And insofar as he is ingenious and effective in this direction he has contributed to a profound need of a worker's existence.

#### Labor Participation in Management

Finally, we come to the matter of how far labor should participate with management in actual operation of industry. Here the economic becomes enmeshed with the administrative phase with a vengeance, and we are faced with the necessity of reconciling two seemingly divergent positions: on the one hand, there is the necessity of preserving the leadership of management which we have stressed so much as an integral part of the administrative aspect; on the other hand, there is the feeling on the part of union leaders that as part and parcel of the economic protection of their constituents, they must set up rules and regulations involving such matters as grievances, length of work, seniority problems, matters of discipline, and procedures for suspension or discharge. Such regulations regarded as so essential by unions, are regulations which management frequently feels put the brakes on their efficiency. This is more often the case when union leadership is irresponsible, ineffectual or shortsighted. Of course, these are principles which must be reconciled and are being reconciled.

There is one danger to be avoided. Any regulations, contractual or otherwise, should be limited to the purely labor aspects of operating processes. Such regulations must not go so far as to encroach upon or intrude into wider management policies or responsi-

# M·E·C

#### SERVES MODERN INDUSTRY



### Training

- Time and Motion Study
- Operation Analysis
- Methods Engineering
- Time Formula Derivation
- Motion Study Application
- Methods Time Data Application
- Process Engineering (Routing)
- Effective Foremanship
- Methods Study for Foremen and Supervisors
- Principles of Methods Engineering for Executives

A descriptive Brochure is available upon request.

### **Methods Engineering Council**

822 Wood Stree

Pittsburgh 21, Pa.

NEW ENGLAND DIVISION
Bridgeport, Conn.

MIDWESTERN DIVISION Kansas City 2, Mo. bilities. For obviously, in any undertaking, economic or non-economic, a dual and overlapping authority is calamitous. Personally, from what inquiries and observations I have made, I do not believe that unions really desire to intrude in these broader aspects of management.

Having determined the proper balance between preserving management leadership and providing adequate protective safeguards, we come to the spirit in which these principles are to be applied. It is essential that in practice management interpret its union contract in a constructive spirit and that, on the other side, union leaders show an appreciation of making it possible for management to exercise its dynamic initiative.

A good deal has been said lately about the matter of labor-management committees. Obviously, there is much room for enlisting the assistance of workers in constructive suggestions. The largest experiment in obtaining such cooperation in production was that promoted by the War Production Drive of the War Production Board. In 4,600 war plants and shipyards employing nearly eight million, there were set up socalled "Labor-Management Production Committees." More than two-thirds of such committees were affiliated with unions and the rest were in plants having no unions. Some of these efforts were perfunctory, some of them were kept alive only by the stimulus of the emergency, but many proved that labor's help could be enlisted in cooperative assistance and that such assistance need not interfere with or violate the principle of management leadership and control. They furnish a useful by-product in promoting a psychology of understanding and goodwill.

While the initiative and responsibility of management must be preserved, there is a certain responsibility of union leadership. It must give every assurance that the spirit and letter of its obligations will be fully honored. The complaints from various industries that the union contract has given management insufficient protection against unauthorized stoppages, undisciplined actions by various groups and individual workmen, suggests that often a small recalcitrant minority rather than the union and its leadership decide the fate of the plant. As far as possible unions must strengthen management in maintaining discipline within the factory. Their function should be not merely negative, but also affirmative and constructive.

The aspect of our national life that I have just discussed—industrial relations and its economic, adminis(Continued on page 110)

## Management—Tongue-tied, Deaf and Blind?'

By JOHN J. CORSON

The Washington Post

PEOPLE want to know what the other people they work with are doing and thinking. They want to know," young Henry Ford said, in one of his first speeches, "what the score is. It is fairly easy for everybody to 'know the score' when there are only fifty employees in a plant. But when thousands of employees work at assembly lines in a single plant they create a problem of communication which has not yet been effectively solved."

r

n

n

t

T

s

g

у,

of

p

at

1e

y

y

e-

3**1**-

ce

1y

at

nt

ci-

k-

ty

he

1st

ne

ot

ve.

lis-

is-

At the same time Henry Ford, II, in this statement points squarely to a crucial problem of management today and grossly understates its significance. To say that the present ineffectiveness in communication between management and labor is a problem "not yet effectively solved" is to liken World War II to a friendly contest between Harvard and Yale football teams. This ineffectiveness in communication is a cancer in modern management which lessens annual output by millions of dollars. Men without incentive produce less. Workers without knowledge of why or for what they work turn out less. Businesses unable to take advantage of the experience and suggestions of the men on the job stand still. Yet today many American managements are tongue-tied when it comes to getting themselves across to their workers, and deaf and blind in getting ideas from their workers.

The problem of how, when, what and why management talks or writes to its employees, and how and what it learns from its employees is no new one. Yet the problem has grown apace as the size of establishments has grown, particularly while erstwhile small plants mushroomed during the war. Dr. Kettering of General Motors spoke a decade ago of having remarked to a group of shop workers that it required a whole year for a decision of the board of directors to find its way down to application in the shop. A worker sarcastically rejoined: "And how long does it take for an idea of one of the men in the shops to find its way up to the board of directors?"

Management involves nothing more than getting a group of human beings to work together effectively

for a common purpose. Even when two people work together, each must understand what the other is trying to do and how. They may talk to each other, write to each other or, if they are deaf mutes, make signs with their hands. However they do it, they must get their ideas from one to the other, and vice versa. They must achieve some common understanding. In this simple sense the process of communication is the basic problem of management. It is amazing that students of management have given as little attention to questions as to how to get ideas and orders across to employees; how to learn what is on their minds; and how to get them to talk back freely and frankly—in short, how to enable both workers and management to know "what the score is."

It is especially amazing when one considers the thousand and one devices management can use today to get its ideas across. We have the printed page for bulletins, orders, instructions, house organs and letters. But we have also movies, radio, and pictures of all sorts with which to express ourselves. Many an employer does use moving pictures and slide films to get across ideas to his employees. Often he uses posters and notices which tell lessons of safety for example, or sell War Bonds. Of late some employers, when confronted with labor disputes, have chosen to use newspaper advertising to communicate with their employees. The advertisements were seemingly addressed to the general public but actually intended for the employee's themselves. Too often the size of the organization prevents an employer's speaking at first hand, face to face. But aided by public address systems, a conference telephone hook-up and sometimes even the radio, an employer can express his ideas directly to an increasing number of employees. To repeat, we have at hand more ways and means of communicating within an organization than ever before. Yet, we are simultaneously confronted with an inexplicable inability to bridge the gap of misunderstanding that grows wider rather than narrower.

#### A Few Illustrations

Let me cite three illustrations: There are in Virginia two large utility companies. By income statement tests they operate with similar efficiency. But what

<sup>&</sup>lt;sup>1</sup> An address before the Cincinnati Chapter of the Societyf or the Advancement of Management, April 4, 1946.

<sup>2</sup> "The Challenge of Human Engineering," an address by Henry Ford II before the Society of Automotive Engineers, Detroit, January 9, 1946, published in Advanced Management, June, 1946, Vol. XI, No. 2, pp. 48-51.

do their employees think. Sit down in the evening and play bridge with the employees of Company A and they entertain you with stories of their company's efficiency. Have lunch with them and they speak of its achievements in expanding sales and maintaining low operating costs. Talk with the employees of Company B and you see a sharp contrast. They know little about the company; they talk sarcastically of its officials and resent its profits. Which of these companies would you want to work with? On which one would you gamble your future?

Here is another illustration. Over a period of ten years Employer R in the publishing business has had a relatively liberal wage policy. He has provided group insurance protection, vacations and bonuses. After ten years someone had the bright idea that it might be worthwhile to tell all employees about the business, its history, its size, its equipment and its general arrangements with employees. The interest of employees in these simple facts about their firm surprised the management. They asked questions. And they evidenced surprise and gratitude in learning of the health and nursing services they were entitled to—and for which they had been paying in part by deductions from their wages for years.

One more illustration. One firm recently made a strenuous but brief effort to simplify the instructions it sent out to field offices. Those bulletins were literally etched out carefully and laboriously. They used short sentences, one syllable words and much explanation. Then after a month had elapsed a series of field meetings were held and time was taken to conduct tests to ascertain how all these bulletins and orders had "gotten across." Four-fifths of the employeesmen and women who were expected to use these instructions in their day to day jobs-demonstrated by their answers to these short, simple tests that they had (1) either never understood the instructions they received, (2) had forgotten them and were applying their best judgment, or (3) had placed an interpretation on them sharply contrasting with what was intended.3

#### Why Communicate?

Think of your firm for a moment. For what purposes does the manager communicate with his employees? There are probably three principal purposes. The *first* is to give orders, or in less simple words, to convey instructions or policy decisions down the line of authority. The *second* purpose of communication is

to obtain reports and, hopefully, suggestions and experiences of employees at each level of the organization. And then a *third* purpose, sometimes recognized, is to develop a common understanding of the firm and of its accomplishments. In other words the third and perhaps most important purpose of all the staff meetings, bulletins and other things we do is to let employees know what they are shooting at and to let them feel they are "on the team."

Take the giving of orders first. This is a part of every day's work of every business executive. Have you ever heard of an analysis of how orders should and how they should not be given? "Well, no, and why should anyone discuss as simple a thing as giving an order," you may ask. Did you ever hear of the two paragraph order General Pershing gave in World War I, the misinterpretation of which cost 500 lives? Or let me ask you if you were ever given an order in words like these: "Well, if you can't do it the way I want, I guess we can get somebody who can." No, the giving of orders is an art, not a task to be handled without care or thought.

Another story will illustrate this point. Tony was a ditch digger, not endowed with great mental equipment, but a conscientious, hard working fellow. Tony was told to dig a ditch two feet wide, four feet deep and thirty feet long. The orders were clear and precise. Tony went to work. But unfortunately he dug into a huge boulder. Slowly but conscientiously he chipped away at it; but long before he finished the boss returned and forthwith fired Tony. The ditch was to be filled with cement for a foundation and the boulder could have remained.

In any organization orders will usually be given by word of mouth. They will be communicated from layer to layer of the hierarchy, the President to the Vice-President and they in turn to echelon their assistants. Field Marshall Montgomery, in his farewell address to the Eighth Army, said he had never issued a written order to the generals who served under him. Orders he said should always be "personal and verbal." But in most large organizations orders will also be given by bulletins, instructions or letters. In the language of the technician, the giving of orders in either way, by word of mouth or in writing, and thus directing the work of men who direct the work of others, is called "the flow of command." But all too often command doesn't flow! Gordon Clapp, the general manager of T.V.A., illustrates the reason by the story of a young playwright. He was proud of his first play. His pride expanded vastly when a publisher bought the play.

<sup>&</sup>lt;sup>4</sup> Corson, John J., "Weak Links in the Chain of Command," Public Opinion Quarterly, Fall, 1945, pp. 346-349.

n

f

Ŧ

t

0

d

d

g

0

r

r

n

I

e

d

y

p

-

g

e

e h

e

y

r

S.

SS

n

ie

n

y

of

У

1e

 $^{\rm ed}$ 

d

of

y.

To cap the climax, when a producer came along and volunteered to produce the play, his pride was boundless. For months he waited while the publisher's editors, and the producer's stage managers, actors and actresses adapted the play for publication and for the stage. Then, the play was produced. That evening the playwright walked home from the theater dejected. When asked, "What is the trouble?" he explained, "That wasn't my play." As the manuscript was worked on by the publisher, his editors, the producer and his actors, it had been changed and adapted until it was unrecognizable even by its author.

Similarly, if the executive of an enterprise were to observe how employees interpret his orders as restated, in speech or in writing, by a succession of his subordinates he too will often be dejected. He, the executive, will not recognize his own intellectual offspring.

#### Reverse Communication

But organizational communication must flow up as well as down. To obtain in words from the men in the shops, the sales offices, the warehouse or the home office, their experiences is not merely the reverse of the downward flow of command. It includes the customary process of having employees prepare periodic reports on the work they have accomplished. But it may also include the "positive process" of obtaining from employees their ideas, suggestions and experiences. Employee suggestion forms, "suggestion boxes" and staff meetings are among the devices used to stimulate this positive type of reverse communication. Upon the effectiveness of such a positive type of reverse communication depends the extent to which administrative procedures and practices will be continuously adapted to day to day operating experiences.

And sometimes management communicates with its employees to enable them to understand the objectives and plans of the enterprise of which they are a part. When we drafted men into the Army and tried to explain to them what we were fighting for we called this "indoctrination." Consider this illustration as to why. A nationally known manufacturer of heating and air conditioning equipment has of late been short of motors needed for oil burners. Yet with the war ended this firm must build up and keep busy a force of dealers and salesmen. To keep them busy each dealer was shipped a supply of coal-burning air-draft house furnaces. The home office did not bother to explain that the market for these furnaces was among

low-income families that seldom buy oil burners. The dealers were accustomed to selling oil burners and made most of their commissions from continuing sales of fuel oil. Hence, the dealers rebelled and the rebellion was not snuffed out until the home office explain fully the reason why, when oil burners were not available, coal burning furnaces for low income families were distributed.

Some employers make an effort to tell their employees sufficient of their plans to enlist their interest and their enthusiasm. Other employers try to make clear to each employee how their particular tasks fit into the whole. As industry develops, the tasks of many more workers become specialized, narrow and routine. For example, the general manager of a foundry in Ohio, employing a large number of foreign born, sends a personal letter to the home of each employee monthly. He tells each worker, in some instances through their children who can read, what the company's plans are, where its products are going, and what success it is meeting.

The average worker wants to matter. The lowliest manual worker glows with pride when he is complimented because he has dug his ditch with straighter sides than his fellow workers. The clerk takes pride in knowing that the routine statistical report she prepares is read by the boss himself. Just a few days ago a fellow said to me: "You know there is something more important to work for than money. I'll work as hard as any man as long as I'm interested in the job, as long as it seems worthwhile. But I'll spit in the face of any man, no matter how much he wants to pay me, if he expects me to work blind, to plug ahead like a machine at something unimportant and uninteresting." Yet too few employers try to communicate to employees an understanding of those objectives and plans which would reveal no competitive secrets and would make them feel that their part is essential to the success of the enterprise.

#### Common Mistakes

Managements frequently overlook the simple psychological fact that workers want to know what is going on. They want to know why they are doing what they are doing; they want to feel a part of the team. If they are made to feel they belong, they will be more productive workers. If these facts are accepted, what then are the mistakes to be avoided in perfecting organizational communication?

First, management frequently errs by failing to work at this job of communication as it works at the job of designing new machines, or planning new products. Management hires the best experts there are to advise how to tell consumers the excellences of its products. But how often do managements hire specialists to advise how to phrase orders to employees, how and what should be told employees of the firm's plans and its progress and how, in turn, to get back employees' reactions to what it says and does? Most firms have an audit made each year of their financial position; it might be well if management would audit each year what employees think of their jobs, of their bosses, their company and what they know of the firm's plans as to how workers should do their work. Their minds and the ideas that reside there are rather important to management.

And secondly, few managements know much about how to use print, sound or pictures to make other people understand their ideas. Most employers today do not get themselves over. The unionization of workers makes it difficult, tends to insulate workers from the management. Communication within an organization will no more work itself out than will a program for insuring the firms properties against fire plan itself. Words are tricky things. Justice Oliver Wendell Holmes once said: "A word is not a crystal, transparent and unchanged, it is the skin of a bony thought and may vary greatly in color and content according to the circumstances and the time in which it is used." Indeed, the truth is that English, while an admirable medium for the speeches of Churchill, the novels of Hervey Allen, or the lyrics of Shelley, is not an ideal vehicle for exact statement to secure identical understanding by any considerable number of persons.

And the use of words in giving orders to employees and getting back the reactions and experiences of hundreds or thousands of employees is a part of the process of management that requires skill just as the design of a machine requires the high skill of a toolmaker.

#### What is to be Done About It?

People interested in management—business executives, particularly—must recognize the importance of communication to and from employees. It is the phase of management in which lie the greatest dollars and cents savings of the next decade. And they must not delegate this phase of the job to their industrial relations people and forget it. Effective communication cannot be established by a house organ to sweeten the workers up or an annual report to employees to keep them happy. It must be accepted as an important continuing part of the job of management.

Secondly, management must see that their spokesmen, the foremen, recognize the importance of effective two-way communication and are capable of expressing themselves and of relaying the views of their workers. Broad general policies may be communicated through bulletins, addresses at mass meetings, or by radio or even newspaper advertising. But the important day-to-day interpretation of these policies is by the foremen. Top management cannot be out in the plant continuously and in the meantime the foreman is the funnel through which it communicates to all workers.

And thirdly, effective communication cannot be left to chance. Management will find it economical to appraise its communication job periodically and see just where it stands. In a small plant this can be done casually and informally. In a large plant it will be well to hire experts and do it right—to have a thorough study made of the attitudes of employees. The result may be shocking but it ought to be known. Meanwhile, day in and day out, some major executive should have the responsibility for communication—and be expected to work at it.

All this will pay off. It will be reflected in increased production resulting from awakened incentives. It will be reflected negatively in less strife between management and employees. But it will also reflect a solid democratic appreciation of the worth of each worker, of each human being.

## Collective Bargaining Sidetracked

By HERBERT G. HENEMAN, Jr.

Industrial Relations Center, University of Minnesota

IDESPREAD collective bargaining in the United States may be conceived, with a few notable exceptions, as having its inception approximately a single decade ago. During the first half of this decade, under the primary stimulus of the National Labor Relations Act, collective bargaining had a tremendous growth with what now appears a minimum of government interference, and it appeared that management and labor were headed for an era of what has been called "industrial jurisprudence," or "civil rights in industry." Bargaining was conducted between the representatives of labor and management, and in a relatively short time the parties became self-reliant, were developing mutual confidence, and it seemed that labor and management were well on the road to a long-run program of sound industrial relations.

. 3

cue of

the ars

ust

rial

ca-

ten

to

ant

es-

ec-

of

of

m-

et-

ut

ese

ot

m-

be

cal

nd

be

rill

a es.

m.

ve

ed

It

en

ch

But the second half of the decade has seen events that strongly suggest that collective bargaining may have been sidetracked, have altered its course appreciably, or that the term may have to be redefined. War always has a terrific impact upon social institutions, and the impact of World War II upon collective bargaining is no exception. Institutions vary in their flexibility, in their ability to recover from the impact of events. The institution of collective bargaining, nine months after the cessation of hostilities, does not appear to have made substantial progress in reverting to its former course.

#### Bargaining with the Government?

Current bargaining between labor and management, in some major instances, appears to be distinctly secondary to bargaining between labor and/or management and the federal government. Industrial relations continues to be considered on an industry-wide, and often nation-wide, basis. Plant-wide relations definitely are not accorded the same role they had in the first half of the decade of collective bargaining.

Why has collective bargaining been sidetracked? The purpose of this article is to examine this thesis, with an analysis of the effects of government domination of collective bargaining built up during the war era primarily through the medium of the War Labor Board and continued after the cessation of hostilities

through the technical device that the war is not over. It will be contended that this interference has resulted in many fundamental changes that have definitely re-shaped the nature and essence of collective bargaining with, perhaps, a substantial decline in its effectiveness as an instrument for sound and enduring industrial relations.

The National War Labor Board has been probably the greatest determining force in the history of collective bargaining in the United States. During the war period, it proved to be an unusually effective instrument with respect to curbing inflation, freezing prices, decreasing strikes, and maintaining high levels of production. It represented an expedient bargain between labor and management, designed and adhered to by the rigors of wartime necessity. In the short run, it achieved its major purposes. However, in the long run, certain disturbing influences may be discerned with respect to its effects on the nature of the collective bargaining process.

#### Let the Government Do It

In the first place, under the War Labor Board there was a noticeable weakening of the desire to bargain collectively. Both management and labor often yielded to the policy of expediency and turned to W.L.B. for a decision when they thought it was to their immediate advantage. Genuine attempts at settlement were conveniently omitted if, through a technicality, a momentary gain could be secured over the opponent. Sometimes, by way of variation, the parties would collaborate in an appeal to the W.L.B. For example, both would request a wage rate increase, management to gain or retain its labor force, the union to gain high wage rates per se. Both types of activity contributed to the same end-product, a dissipation of the desire for genuine collective bargaining.

This dissipation of self-reliance, this tendency to let others make the decisions (and take the blame), this attitude of "let the government do it" is a dangerous and unhealthy attitude. In the heyday of W.L.B., labor-management agreements needed W.L.B. sanction in most cases. Hence, there was a tendency for the parties to relax and let the War Labor Board do the job. To the credit of W.L.B., every effort was

made to get the parties to bargain collectively. But labor and management always could fall back on the stock excuse, "Our hands are tied—no matter what we do, W.L.B. will change it."

Such an excuse should not become a permanent crutch. This practice of self-deception must stop unless both labor and management wish to become permanent government wards. Now is the time for both parties to stand on their own feet, make their own decisions and bargains, and accept full responsibility for the consequences of their actions. The alternative is not pleasant to contemplate. Already apparent is the unhealthy tendency to continue the trend of "let the government do it"-to degrade labor-management relations to a political football. Such an event would be catastrophic. There is a place for government in such relations, but it should be limited to establishing and enforcing the rules of collective bargaining, setting rules for determining jurisdictional disputes, fact finding, and other such services. But "wage increases for votes" and similar practices must be avoided.

#### Arbitration or Administration

There are those persons who say that the era of W.L.B. was a triumph of arbitration—that arbitration is here to stay—that the experiences of the W.L.B. during the recent war period were salutary in this respect. Such a position is open to question.

The War Labor Board was never an arbitration agency in the accepted sense of the term. The process of arbitration involves determination of the facts in the point at issue and a decision made on the basis of the facts. Arbitration and compromise are incompatible and exclusive concepts. In short, arbitration never involves compromise. But the entire history of the W.L.B. is replete with compromise. From its inception, its very existence depended upon compromising conflicting desires-the "nostrike pledge" in return for "maintenance of membership" is illustrative. This is not intended to show that such arrangements were undesirable from the standpoint of the war effort; but these compromises have almost obscured the meaning and practice of arbitration. This too will have a pronounced effect on future labor-management relationships.

As a matter of fact, the W.L.B. was an administrative rather than an arbitration agency. Because of time limitations, each case was fitted into a pattern of administrative rulings rather than granting a decision based upon all of the peculiarities in the

case at issue. True, local panels and referees heard the majority of the cases, but their recommendations were subject to Board review and were changed to conform to the broad master patterns. Soon the local panels and referees acquired the administrative complex, and genuine arbitration was all but forgotten.

In addition to the W.L.B. policy of decision by means of compromise and administrative edict, there is a further factor tending toward instability in the postwar era. Most persons who smoke or drink are aware of the advantages of abstinence and freely give advice to that effect. Perhaps the same tendency operated in the case of the War Labor Board. In any event, they ordered arbitration clauses into a large percentage of the contracts that came before them. Once worked into a contract, such a clause is likely to stay. And so labor and management face the postwar era in the anomalous situation of having inherited arbitration clauses and, at the same time, being scarcely aware of and generally unused to the process of arbitration.

#### Arbitrators in Name Only?

Another aftermath of the W.L.B. will be a new generation of so-called labor arbitrators. During the war there was a tremendous growth in the demand for such arbitration, especially for persons representing the public. This demand will undoubtedly remain at high levels, and it would appear that as a result of the wartime experience an adequate supply of trained labor arbitrators and referees might be available; however, this is not the case. These men have had experience in making administrative rulings based on the compromise methods of the W.L.B., but there is a crying need for realization of the inadequacies of W.L.B. "arbitration" experience. In the future there should be few, if any, administrative guideposts, and decisions must be made on the basis of facts determined in each case. Experience with compromise solutions will not be satisfactory, for arbitration with a tendency to compromise can do more harm than good.

#### Artificial Standardization of Wage Rates

A fourth disturbing element in the postwar period will be the wage rate structure written by W.L.B. into thousands of contracts. This tremendous change toward standardization of wage rates is not entirely subject to logical explanation and may have seriously disrupted the competitive price mechanism. In the long run there must be an equating of labor

. 3

ard

ons

to

cal

ive

en.

by

ere

the

are

ely

ıcy

In

a

ore

is

the

ing

ne,

the

ew

the

nd

ing

ain

of

ed

le;

ad

sed

ere

ies

are

sts.

cts

ise

ion

rm

iod

.B.

nge

ely

eri-

m.

TOC

productivity and labor price, and the difficulties of the adjustment from an economy of war to an economy of peace may be heightened by this very standardization. This difficulty will be even more pronounced should the government continue its policy of "controlled inflation" with various "experts" making pious assertions to the effect that productivity will increase in the same (or greater) proportion as the increases in wage rates.

The W.L.B. wage policy was off to a bad start from the beginning. The famous Little Steel Formula attempted to relate wage rates and the cost of living rather than using wages (take home pay) and living costs. This focused attention on rates and probably will continue to be the source of much friction in the immediate years ahead when price rigidities of all types will tend to decrease the flexibility of industrial reconversion.

There was also a tendency to ignore productivity of labor in setting certain rates. A good example of this is the category of "rare and unusual" increases—those labelled "necessary to further the prosecution of the war effort." Wage rates were set on the basis of their contribution toward channeling the direction of labor supplies rather than their relation to the productivity of the laborer. While it is true that it is undesirable and difficult to appraise productivity in wartime, the fact remains that historically wage rate increases are very difficult to remove, even though they distort general labor price structures. As a case in point, the records of the W.L.B. would probably reveal a negligible proportion of wage rate decreases ordered in an attempt to remove inequities.

Standardization of wage rates is not essentially undesirable if the standardized rates are related to productivity. But W.L.B. rates were not always set on such a basis. Some rates were set to channel labor supplies, as suggested above. Others were set on the basis of such nebulous concepts as the "first substantial cluster." Even if it were granted that the first substantial cluster was always determined with a fair degree of accuracy, there is a further assumption inherent in the method that by and large some such point as the average, median, or one of the modes of the existing rate structures was equitable—an assumption that may or may not have been true. A final example will suffice. Wage increases, commonly called "fringe awards," were granted by the W.L.B. for a variety of reasons, but they were not directly related to productivity. As a consequence of such wage rate adjustments, wage rates were "standardized"

in the sense that similar rates were paid in similar plants, industries, and/or occupations, but they were not standardized in the sense that equal productivity brought equal compensation. Thus it is possible that the transition period finds the nation with a wage-price structure even more distorted than that prevailing before the war.

#### Need to Decentralize

The War Labor Board was part of a trend toward centralization of authority in the settlement of labor disputes. With centralization comes standardization, and in certain respects standardization is desirable. As a case in point, the W.L.B. overruled laws and regulations of state labor boards where they were in conflict with W.L.B. administrative rulings. Such actions may have been necessary during the war; but in the postwar period, standardization may do actual harm to labor-management relationships. It is the unusual, atypical type of disagreement that yields a high percentage of arbitration cases. And in these atypical, non-standard issues, decisions must be made on the basis of facts determined in each case if sound and constructive, long-term labor management harmony is to prevail. Insofar as centralization and standardization with their accompanying inflexibility are carried over into the postwar era, the basic principles of arbitration will probably be compromised to the detriment of sound industrial relations.

The problem of decentralization applies not only to arbitration but to all phases of labor management relationships as well. Individual plant operations cannot be reduced to nation-wide formulas. Such formulas ignore, of necessity, the many distinctive variations of the individual plant. They do not provide for the multiple problems of individual workers—the human factor. They make the old mistake of overemphasizing wages among the many incentives and conditions of work. Both management and labor are most vitally concerned with conditions in their specific plant. In short, the soundest labor-management relationships stem from the grass roots, from satisfactory agreements in individual plants, and not from Washington to the local community.

#### Fact Finding

Perhaps the greatest contribution made by the W. L. B. to constructive, long-term labor management relationships with its insistence on the collection and use of facts in its determinations—facts with

respect to wages, working conditions and practices and in non-dispute as well as dispute cases. This factor alone may have advanced labor-management bargaining practice by as much as a decade.

Management and labor were often revealed in W.L.B. hearings to be unaware of many of the vital facts pertaining to the issue in dispute. Often when the facts were made available, the dispute ceased immediately. It is to be hoped that management and labor will encourage a habit of having the facts before negotiation and arbitration.

However, with the demise of W.L.B., where can they turn for facts? The government can and will undoubtedly continue to provide certain information. Not all of the government statistics are "facts"; they are not always representative, accurate, reliable, or valid. Often their forecasts are in error, e.g., the recent unemployment estimates. But if their limitations, method of collection, etc., are properly understood, they can be of some service. And government statistics are constantly being refined and improved. Another source is agencies similar to the former Committee for Economic Development. Here again, understanding of the methodology and limitations of the C.E.D. data, for example, would serve as a caution not to accept such data uncritically. In actual practice, the best method is for labor and management to collect the facts for themselves; failing this, they should critically evaluate any data furnished by outside agencies, for many of these data will prove to be unreliable upon examination. The crux of the matter is that while the use of facts has become a necessity. the parties using these facts must be self-reliant enough to make an appraisal before putting them to use.

#### Where Do We Go from Here?

It is not the purpose here to fix or allocate blame upon any of the parties to the agreement. Nor is it the purpose to demonstrate that there is an inevitable amount of confusion and tension during war and the transition period to peace. Instead, this article develops the thesis that during the last five years the institution of collective bargaining has deviated significantly from its former course. There remains a final question—what's to be done about it?

It is customary for management to collate financial statements at the end of fixed periods, dig out the significant details, and formulate a new program of purposeful action for the ensuing period. In effect, management leaders pause for mental rumination, carefully consider the happenings of the past period,

search for cause and effect relationships, and, by this process, gain perspective. This periodic examination has been extended from financial and budgetary statements in many directions, including the personnel audit in the field of labor relations.

In fact, one of the most significant changes in scientific management has been the increased emphasis upon the human factor as distinguished from financial and production factors. There has been a shift in emphasis from individual to group relationships, largely through the influence of the institution of collective bargaining. The influence of institutional forces has tremendous implications upon day to day practice within the individual firm, but management has done little in the way of regular, periodic analysis of these forces operating outside the immediate scope of the individual concern. This article has attempted such an analysis in a general way, fully realizing that specific cases will call for modifications.

In general, the following are illustrative of the types of corrective action which may be applied:

All managers, whether in industry, labor unions, or the government, should be especially patient, reasonable, and understanding during the adjustment period. With such a psychological framework, they will be better prepared for the time when most of the wartime government controls have been lifted. Renewed emphasis must be devoted to the widespread areas of agreement between the parties; for example, the need for increased productivity and efficiency. No party should attempt to take advantage of the other for short-run gains during the period when the other party may be engrossed in ironing out its own special difficulties. Finally, there is available a body of generally accepted principles and techniques of collective bargaining. These principles should be re-recognized and adhered to, regardless of momentary expediency.

Business leaders should vigorously prosecute a program of genuine collective bargaining with a minimum of government assistance. They should utilize valid arbitration based on the facts in their individual plant rather than governmental administrative edicts. They should make careful investigation of arbitrators in their dispute cases. They must resist all forms of artificial standardization of wage rates and do all in their power to use objective measures of productivity as the basic determinant. They should attempt to settle all controversies at the local plant level, as near the source as possible. They must do considerably more fact-finding with respect to their

. 3

his

ion

ary

nel

in

m-

om

1 a

on-

ion

nal

lay

ent

rsis

ope

ted

hat

the

ns,

ent,

ent

hey

of

ed.

de-

for

and

age

food

out

ble

ech-

ples

less

e a

ini-

ilize

lual

cts.

tors

s of

all

luc-

mpt

vel,

con-

heir

manpower management problems. Finally, the greatest need is a new era of industrial leadership embodying breadth of vision, perspective, and objective thinking on a scale never before attained.

Unions should also be concerned with a greater desire for collective bargaining of the pre-World War II type and should be eager to have the basic principles of arbitration preserved regardless of expediency. They should try to correlate wages with productivity and efficiency and have sufficient courage to do what is best for the many workers, instead of the few, in every case. In other words, monopoly, featherbedding, and similar restrictive practices should be recognized as temporary expedients which are undesirable from the long-range viewpoint. Union members should not continue to judge their business agents primarily from a standpoint of wage rate increases secured. A more careful delineation of the goals and policies of specific unions would be helpful in this respect.

Managers in government should willingly relinquish their wartime controls over industrial relations. They should accept the role of facilitators rather than determiners in the labor management field. They should perform service functions, such as statistical compilations, conciliation, and enforcement of laws. Their emphasis should be directed toward being impartial but helpful subordinates in labor-management relationships. Nowhere is there greater need for the practical implementation of the principles of scientific management than within the government service.

In conclusion, if labor, industry, and government managers will readjust their thinking with respect to the importance of returning to the accepted principles and practices of collective bargaining and hold fast to those principles regardless of expediency, there should follow a highly successful era of "industrial jurisprudence" in industry with corresponding benefits to labor, management and the public.

#### Summary

Collective bargaining became widespread in the United States during the last decade. During the first half of the decade, industrial relations flourished to the extent that it seemed likely that an era of "industrial jurisprudence" was in the offing. With the advent of World War II, the second half of the decade has seen an alteration in the course of collective bargaining, largely as a result of government interference in the relations between management and labor. This inter-

ference has had profound effects on the nature of the bargaining process, and since labor policy determination by governmental edict is not of the same nature as mutual determination by the parties, it appears that the type of collective bargaining prevalent before the war has been sidetracked. The recent fruitless National Labor-Management Conference is an example of the present sterility in that direction.

The National War Labor Board has been described as the principal influence causing the institution of collective bargaining to deviate from its original and (in the writer's opinion) sound course. Some of the effects of the War Labor Board upon the institution of collective bargaining were described as:

- 1) A weakening on the part of both labor and management of the desire to bargain collectively.
- 2) A tendency to confuse administrative rulings with arbitration procedures.
- 3) The training of a group of pseudo-arbitrators who really are versed in application of administrative rulings rather than arbitration procedures.
- 4) Wage rate determination often providing "standardized rates" on the basis of factors remotely related to labor productivity.
- 5) A trend toward standardization and centralization of authority in the settlement of labor disputes standardization often precluding special consideration of atypical issues in the individual plant.
- 6) Insistence on the use of facts in the determination of issues.

These effects continue to a degree at the present time (e.g., government fact-finding boards) and will probably permeate industrial relations for many years to come. The first five of these effects were considered harmful to the cause of sound industrial relations, and, as a corollary, it was argued that remedial measures be undertaken. The sixth effect was regarded as distinctly salutary. It was finally contended that unless remedial action is taken, collective bargaining will remain sidetracked and may eventually become just another "normal government function," to the detriment of the interests of labor, management, and the public.

Constructive remedial measures were suggested for managers in labor, industry, and government. The need for patience, reason, and understanding during the adjustment period was deemed basic. Renewed emphasis should be devoted to the areas in which the parties are in agreement, and differences between the parties should be kept in proper perspective. Re-recognition and adherence should be accorded to the gener-



## "HIDDEN PROFITS" . . . for YOU

By a thorough study of plant surveys and of existing plant layouts and methods . . . and . . .

by sane and sensible research and planning . . . we have been able to simplify work and REDUCE WASTE in many plants.

Why not avail yourself of this valuable SER-VICE, thus converting any "hidden profits" which may be found in your plant . . . into a TANGIBLE INCREASE IN EARNINGS? Your inquiry places you under no expense or obligation.

"There is no substitute for EXPERIENCE"

## GEORGE A. PAYNE

MANAGEMENT: METHODS
44 Court Street R 708 234 West Elm Street
BROOKLYN 2, N. Y. BROCKTON 31, MASS.

Improving methods since 1911

The Trundle Engineering Company is a 26-year old organization of Consulting management engineers.

You are invited to write us for information or to consult with us—without obligation—on any problem of Management Business, Survey, Merchandising, Manufacturing, Engineering or Industrial Relations.

## THE TRUNDLE ENGINEERING COMPANY 1501 EUCLID AVENUE CLEVELAND, OHIO

New York

Chicago

#### PHIL CARROLL, JR.

Registered Professional Engineer MAPLEWOOD, N. J.

ally accepted principles and practices of pre-World War II collective bargaining, and beneficial wartime practices (such as emphasis upon factual determination of differences) should be added. The policy of expediency as a prime determinant should be abandoned. Each party, labor, government, and industry, should get its own house in order without destructive interference of the other parties.

Such a positive constructive approach would yield long-run benefits to all parties concerned, in excess of the results obtainable by means of patch-work, day-today industrial relations policy.

#### Opportunities to Organize for Long-term Effective Selling

(Continued from page 96)

all program to capitalize on opportunity ties in with each other phase, almost as a jig-saw puzzle.

Second, the extent to which basic market research has contributed in a very practical way to the development of this program. Some executives seem to feel that because a series of figures cannot be put in one end of a machine and an all-time solution brought out the other, market research is without value. I hope you see that such a view is not sensible in this case. That is why I want to emphasize,

Third, the importance of the application of competent judgment to each phase of the problem. Sound research and judgment together are an effective team. Either one alone is handicapped.

#### Human Relations in Industry

(Continued from page 100)

trative and political angles—is clearly at the threshold of important developments. Business leaders and union executives will exercise far-reaching influence on the course of these developments. Their human understanding and leadership will determine what road we shall follow. The adoption by employers of effective leadership in their human relations, an appreciation by union executives of the importance of that leadership, and a statesmanlike attitude by both in negotiating the economic aspects will mean much for our national stability. Even in these troubled times, by patience and wisdom a proper balance can be attained despite our difficulties of readjustment. I am hopeful that despite our present trials and tribulations progress will be made in this direction. For the constructive spirit—the spirit of give and take—is the genius of America.

## Management Strategy in Labor Contract Negotiations'

By RUSSELL L. GREENMAN<sup>2</sup> and ELIZABETH B. GREENMAN

#### Selection of Negotiators

3

·ld ne

a-Xed.

ıld er-

eld

of

0-

ith

ch

p-

eel

ne

out

pe

se.

pe-

ind

m.

old

ind

nce

nan

hat

of

re-

hat

in

for

ies,

be

am

ons

on-

the

'T is hard to think of any dilemma that is quite so pathetic as that of an inexperienced negotiator representing management at the bargaining table. The situation becomes a dilemma, too, if the negotiator lacks the knack for inspiring good will and respect. Experience in handling collective bargaining negotiations, and a talent for dealing in human relations, are "indispensables" for the negotiator.

Probably in no other phase of business is so much learned by observation, emulation and practice, as in the field of labor relations. That is why a green negotiator, "thrown to the wolves" from the union camp, presents such a pathetic figure.

Even though it is assumed that the company spokesman will be a competent, well-versed executive—he could be the president of the company, the plant manager or personnel manager, or even a lawyer-he still would not necessarily be the man for the job if his negotiating experience and skill are limited. He should be an expert in the handling of bargaining conferences, no matter what else he may be.

Management as a whole today still does not have an adequate number of experts, within its own ranks, to handle employers' dealings with the unions that represent their employees. If it did, there would be no market for professional consultants in the field of labor relations. And that field would not be the lucrative one that it is. The peculiar talents that are requisites for successful dealing with unions seldom go with the efficiency and clairvoyance and business keenness that the policy-makers of any company must have. Therefore it is rare indeed when a man can be found whose knowledge of the industry and the inner workings of all the phases of his company's operations, are in balance with his knowledge and skill in his own fieldthe handling of the company's labor relations.

Too many companies have learned, to their regret, what amateur handling of union contract negotiations can cost them, in dollars and cents and loss of prestige.

The chief negotiator should have a clear picture of

the business in its entirety. If he does not know the relation that each term that is written into the contract has to all the other phases of the business, and if he does not have the authority to make or quickly get final decisions on those terms, he has no business being the chief company spokesman.

Just because collective bargaining is dealing in human relations does not mean that negotiating a contract is not a business proposition. The negotiator should always think of each clause in the contract in terms of its value to the furtherance of the business. Can the company afford to give raises, and how much? What are our competitors doing? What is the trend in the area? In the industry? What is the state of the labor market? Can we afford to risk a stoppage on this issue? Is this clause worth trading for that? What do the employees really want? The management spokesman should know the answers to all these.

Because it is of such extreme importance for the negotiator to have a knowledge of company policies and a clear understanding of the industry, the selection of an outside consultant is in most cases an unwise choice. The industrial relations director, if the company is large and is bargaining on a company-wide basis, is the logical choice for this role. In small companies having only one plant, the president, or vicepresident in charge of manufacturing operations may do the actual negotiating.

It is always desirable for the negotiator to be someone from within the company, because of the impression the union will get if the company has to hire an outsider to do its bargaining for it. The union negotiators like to know that they are dealing with management's own top men, or men who have the authority to sign the completed contract, and they don't have much respect for a company that is apparently too incompetent to fight its own battles.

For this reason, it is also unwise for the company to have a lawyer as the chief company spokesman. When a question arises over the application of a law, a competent specialist in labor law should by all means be called upon for advice. Many Wagner Act cases could have been averted if the company had relied on legal counsel for proper interpretation of the law. But never

<sup>&</sup>lt;sup>1</sup> This article is excerpted from a chapter in a book by the same authors entitled "Getting Along With Labor" to be published later in the year (Harper & Brothers).

<sup>2</sup> Director of Personnel Relations, General Cable Corporation, New York.

should a lawyer be assigned full responsibility for heading the management negotiating committee or for deciding all the issues. The lawyer's accustomed practice in the courtroom is out of place at the bargaining table. The conference room is not a courtroom. A lawyer, following his natural inclination for legal verbiage and declaration of constitutional rights, will only make the shop committee squirm. And his courtroom techniques invariably fail to impress the union.

When a company is a large corporation and utilizes an expert in collective bargaining to negotiate the contracts at all its plants, it is always wise for the top official to let the local personnel director or plant manager assume the role of chief spokesman. The industrial relations head may be present to inform the local staff on corporation policies and to advise, in closed conferences, on collective bargaining techniques. But he should not appear to be making all the decisions while the plant people just sit and listen. There is no quicker way for a plant manager to lose face with the employees than to be put in the position of "second man" while the "head man" does all the talking. There is no reason why the local plant officers should not have the credit for saying "yes" when the company has something to give, and the employees' respect for having the courage to say "no." The plant officials should do the talking, and the coaching should be done behind closed doors.

In large companies, the personnel or plant manager at each plant may be the chief negotiator, and the contract subject to ratification by the industrial relations department. Under no circumstances should the local spokesman pass the buck to headquarters when he is unwilling to accede to an issue, in order to "save face" with the employees. The shop committee won't be fooled one bit if the plant manager tells them that he himself is all for their proposals, but they wouldn't get by the home office.

Just as the union side of the conference table is bulwarked with representatives from several departments in the plant, a business agent and an international officer, so the company side should be manned by an adequate "team."

It is always an effective technique for management's arguments to be worked out in consultation with those whose work brings them in closest touch with the employees themselves. Those would be the foremen. Foremen should have some say in the planning of a company's position in a union contract, because they are in a position to know the real attitudes and reactions of the workers, far better than top management can ever hope to know them.

When the employees know that their foreman is being consulted in the writing up of the agreement, they will feel assured that management is sincerely interested in their welfare. And management, by seeking advice and suggestions from the foremen, will learn much that is valuable concerning the workability of its proposals. Consultation with lower management will serve to demonstrate to the foremen some of top management's frustrations, give them an insight and appreciation of the magnitude of management's problems.

#### Some Qualifications of the Negotiator

Before it is decided who shall do the negotiating, consideration must be given to certain requisite qualities which must be present in the character of the negotiator. It is inconceivable that any person who does not have an inherent knack for getting along with people, would be in personnel work in the first place. By the time he is chosen to be the principal negotiator, he should have reached, by means of actual experience, the status of a professional.

Not long ago, it was thought that labor-management relations did not require professional handling. Labor relations did not rate primary consideration in the minds of businessmen. Today, they are being taken more seriously. Management has come to recognize the need for utilizing experts to handle their relations with their employees. Personnel departments are expanding. More attention is being given to personnel procedures such as job analysis, job grading, wage incentives, training, employee benefits, etc. Employers are beginning to see how essential it is that the man they select to deal with the representatives of their employees, should have a thorough understanding of all these practices. And his reputation for integrity, good judgment and emotional stability must be beyond reproach.

When the company spokesman walks into the conference room, he can by his first words create the spirit that is to prevail throughout the entire negotiations. He can easily afford to exchange a few bantering remarks with the union representatives without giving the impression that he is there to hold hands with them. He should be the sort who can put the whole crowd at ease, not awe them with his austerity.

It takes a prodigious amount of patience to keep the meeting on an even keel. Nerves get frayed, tempers get out of control and somebody starts calling names. It is up to the negotiator to keep things from reaching this stage. He himself must be even-tempered enough to keep everybody else down to earth.

During negotiations, the union is sure to come up with several demands that are a little on the preposter-

t, ly

k-

n

ts

ill

n-

e-

.

g,

lihe

ho

th

ce.

or,

ce,

ent

he

he

ith

ng.

res

es,

in-

ect

es,

ese

dg-

ch.

on-

irit

ns.

ing

ing

rith

ole

the

ers

nes.

ing

ugh

up

ter-

ous side. No amount of reasoning and persuasiveness can show them where they are wrong. Then is the time for the company spokesman to show his mettle, and drive home his point in good strong language and with unrelenting firmness. He should know he is right, and back his position with soun and convincing arguments.

When the union is presenting a point, the company representative should hear the union out. He should draw out the opinions of all the members of the committee. When the union is right and really has a case, the negotiator should never hesitate to admit it. This will impress the union far more than stubborn, standpat tactics. Outside the conference room, the union members will say about the negotiator, "He's hard as nails, but fair as all outdoors."

The negotiator can never afford to let his self-confidence falter the least bit. He can't let his control of his emotions slip for one minute, and he should never show any signs of embarrassment when the union thinks it has found a loophole and is trying to trap him in it. What if the union committee snickers with smugness and righteous indignation. The negotiator should never, never waver in his convictions and he should be shrewd enough to be able to talk his way out of any trap.

Collective bargaining is a clash of human minds. It is a battle of wits throughout. The union representatives will be favorably impressed if management meets their demands with intelligent, straight-from-the-shoulder counter-attacks. The union will come well-equipped with weapons intended to ruffle management. They will be well-armed with proposals that may floor the company at first. The company spokesman should be able to see through their demands, and guess the motives behind them. Then he should meet those demands head-on, with stiff counterproposals that throw the lead to management's side.

Every negotiator will develop his own technique for successful collective bargaining. There is no special formula that can be followed, in developing the ideal negotiator. But the basic talents—shrewdness, discernment, far-sightedness, adaptability and self-assurance, must be there.

#### Advance Preparation

It has been said that the company spokesman does not know what he is actually up against until the bargaining "match" is on. This does not mean that the negotiator can walk into the first meeting cold, without having made any preparations whatsoever for his case, beforehand. The negotiator has to rely on his own

ingenuity, to a certain extent, but it is facts and figures, it should be remembered, that convince the union spokesmen.

It takes time to dig up facts and figures. Gathering data on the money questions means days of work, and this work should be started long before the contract runs out. It should be assigned to some one person whose sole duty during the time it takes, is to compile this pertinent information. This will mean bringing both the accounting and payroll departments into the picture. The wage increases, total earnings, and bonuses that have been paid, and the vacation, meal and rest period allowances that have been granted during previous contract years, should all be computed with accuracy and without exaggeration. To exaggerate figures showing amounts spent during the year is to leave the analysis wide open to union challenge. Detection by the union of any falsification will nullify the work done on the whole report, and may result in the weakening of management's entire case.

Figures should be prepared carefully, in not too detailed form, but clearly enough so that the most skeptical of union spokesmen will quickly see that the figures presented are based on truth.

In presenting an analysis of the company's labor costs, the stress should be put on sound economic reasons for management's unwillingness to grant fantastic wage increases, not on past or prospective future losses. The union will know, in detail, what the company's profits are, and will be utterly indifferent to what *might* happen to the company's profits if it gives in on the union's wage demands.

It also takes time to compile information on wages and hours prevailing in neighboring plants and in competitive companies. Work on a survey of other plants in the area should be begun well in advance of the end of a contract period. One individual should be assigned to this work, and he should set out on his survey with a definite list of questions covering what the company needs to know in order to present a fool-proof case. He should by all means secure this information by personal interviews. The significant facts that the survey man is seeking just aren't given out over the telephone, and they don't show up in scanty "form" reports.

Most of the officials in neighboring or competing industries will welcome a chance to exchange views on labor policies, because sooner or later, their own contracts will be coming up for renegotiation and they themselves will want to know what's being agreed to these days in other plants.

This policy of gathering data from other firms works to a company's advantage in two ways. (1) It is an excellent argument to support management's stand on wages and working conditions and to counter the demands the union will be sure to make, and (2) it serves as a safeguard against making drastic changes in favor of unions that are apt to embarrass competing firms to the extent that they may take steps even further, by way of retaliation.

Sometimes it is almost impossible to get to the man who is in a position to give out accurate information. That is why it is so important to start out early in making a survey.

The company that is being questioned may seek comparable data from the inquiring company, in exchange for the information it is asked to give out. It is only fair that the company conducting the survey should be willing to furnish information on its policies. The company representative should be fully informed as to what company secrets he is authorized to divulge. Otherwise, he may give out information to the detriment of his company, or he may feel he has to withhold exchange information altogether and as a result will come away with a blank questionnaire.

The union will be sure to have up-to-date data on the wages and working conditions that prevail in the community and in the industry. It will have lists of wages paid for comparable jobs, by other plants in the area. It will show what competing firms are paying—if they are higher, that is. And it will list the names of all the shops nearby that have the closed shop, check-off, seniority, better grievance machinery and arbitration. A wide-awake management will have started its survey early, so that when the union starts making its comparison between the wages and working conditions of the company and those of the companies on its list, management will be able to show that the union's story is not the whole story.

After the material on existing rates, etc. in other firms, and on the company's own money grants has been compiled, it is well for the company's spokesman to compare the two surveys, in advance of the negotiations. A careful comparison, and an analysis of all the points in favor of management, will enable him to present a clear and fact-laden case before the union. He will have clear in his own mind just what is back of the company's stand, and the justifications for it.

The union is likely to have ready detailed reports on the rise in the cost of living. Certainly it will have some figures showing the rise in prices, and a comparison between this rise and that of the basic wage rates. Management will do well to obtain in advance, accurate rate statistics from the U.S. Bureau of Labor Statistics. Many a wage issue has been lost by companies who were either too short-sighted or too bored to look up the latest BLS material available and to think up counter-evidence to combat the tell-tale figures.

Every personnel man knows that it is hard enough to keep up with the latest interpretations of the federal labor regulations, just for the purpose of keeping out of jail. One board or another is forever coming out with a new interpretation of this or that labor law, and directives may be changed from day to day to fit the needs of "unusual" cases.

It is equally important for the management spokesman to keep fully informed on all the pertinent labor data that comes out of Washington, for the purpose of writing a contract that will hold water. A case that has been carefully prepared, but without perusal of the latest rulings, may be nullified in a minute because the union beat the company to the draw by discovering a more recent interpretation.

Today's newspaper may report a revised interpretation of one or another labor regulation. This could happen on the day of the opening negotiation meeting, and might change the entire stand that management is taking on one particular issue. All the company spokesman can do in such a situation is to waive decision on the issue until the new interpretation is officially announced.

In order for the management spokesman to adhere firmly and intelligently to the rules of action the company considers necessary for successful operation of the business, he must have a clear picture in his own mind of all the problems the company is confronted with. If the negotiator has not thought through all the important factors in the case, and their relation to the business as a whole, he may involve his company in an unfavorable set of circumstances that it will be impossible to rectify. He should weigh the consequences of this or that concession, of this or that change, or of standing by this or that custom or prerogative, in his planning preliminary to the negotiations.

Long before he enters the first meeting, the spokesman for the company should have given a great deal of careful thought to what the union will probably demand, what it will surely object to. If he has never dealt with the union before he will look into its history of past dealings, to discover what it is apt to ask for. By anticipating possible objections that the union will

a-

d

to

le

gh

al

of

a

C-

ds

S-

OT

se

at

of

ise

ng

ta-

ıld

ıg,

ent

ny

ive

is

ere

m-

ion

wn

ted

the

the

an

OS-

s of

of

his

ces-

leal

bly

ever

Ory

for.

will

raise, he is sure to have the answers at hand, together with supporting data to help him press his case.

#### Company Counterproposals to Union Demands

Whether the contract to be negotiated is a new one or a renewal of the old one, the union will have started at least a month before the contract is up for negotiation, to draw up a draft of its demands. These demands may be sent to the company through the mail, or they may be presented at the first meeting. They will have been drawn up with care and thought and plenty of aggressive inspiration. The union's technique is to prepare a list of demands that will floor the management and force it onto the defensive.

The way in which management receives the union proposals can be the turning point in the whole negotiation proceedings. If management receives the draft of the union demands and reads it with a horrified frown and figuratively gulps, then starts planning what defense it will make, the union will have gained valuable ground. Once management is thrown on the defensive, the conference will cease to be a bargain.

It is not a proper counter-offensive on the part of the company for the negotiator to meet unreasonable union demands by declaring them "unconstitutional." They might well be contrary to the Constitution, to the Bill of Rights, the Ten Commandments, and to every moral code of ethics or society. That is not what the union is concerned with. If the union is within its right under the National Labor Relations Act, then reference to the Law of the Land will have no effect whatsoever on them. This is the wrong approach, because it is so definitely negative.

The more realistic and positive approach is to get at the source of an outrageous demand. Some grievance or some injustice must have been at the bottom of it. It is better to come out with the question, "What are you really getting at,—what went wrong that started all this?" This method shows a willingness to correct the trouble and is more effective than a show of indignation or an emotional appeal to conscience.

If the union can plan its offense ahead of time, so can management. The real expert in collective bargaining negotiations will have started to plan an aggressive course of action, long before he sees the union proposals for the first time. He will be ready with a whole series of purposeful counterproposals that will speed the proceedings by forcing a number of compromises and make the bargaining conference a two-team show, as it should be.

The company's list of counterproposals can include any number of protective and beneficial demands that will fill the needs of business. Because the union has obligated itself (in its own by-laws) to improve the working conditions and raise the standard of living of its members, it can be pointed out to the union that by acceding to the company's demands, thus helping the business, the union is benefiting the members as well.

Management may state at the outset that in the future it intends to demand as much company security as the union has union security. Management's first counterproposal could be that the union present a plan to provide employer security, in exchange for the union security that is already assured through the Wagner Act and the workers' right to strike. This demand could require that the union exercise proper responsibility by guaranteeing there will be no work stoppages, and assuring increased productivity on the part of its members. The company could point out to the union that the closed shop and check-off have not provided such a guarantee, and propose either that they be eliminated from the contract or that the union drop its campaign to have them incorporated.

In January, 1946, when Chrysler Corporation and the U.A.W.-C.I.O. completed negotiations on their contract, both the company and the union representatives termed it "the best arrangements that the union and the company ever negotiated." Chrysler Corporation granted 18½ cents-an-hour increases "for all employees that the union represents." The company counterproposals, which the union agreed would "improve employee-management relations, better the procedures for handling grievances and raise productivity," include these clauses:

"The union recognizes the importance of company security against unauthorized strikes and the need for productivity on the part of the employees.

"The wage increase means . . . that the minimum wage in the Detroit area Chrysler Corporation plants will be \$1.07½ an hour as against the present minimum of 89 cents an hour. The 18½ cents an hour increase will be applied to each of the wage classifications from the minimum upward. Thus the percentage increase will vary for the different classifications."

The joint statements of the Chrysler Corporation director of labor relations and the U.A.W. delegation head were:

"The settlement we have just agreed upon . . . recognizes the interest of both the union and management in peaceful settlement of differences through

New York Times, January 27, 1946.

collective bargaining, and also in high productivity in building cars and trucks of outstanding quality.

"... We agree that there should be no vilification of the other by either the union or the company.

"Now that the war conditions in the plants have passed it is our mutual desire that post-war productivity be restored and the union and the company have pledged themselves to cooperate to this end."

#### Company Security Clauses

Positive demands—everything that is needed to help the business, and covering any situations the company wants to improve-should be enumerated in full and presented to the union. The demand for company security is such a demand. And one way to insure company security would be to get the union to exercise its full strength and responsibility to effectively prevent its members from engaging in strikes. In the event of a strike, the company should prepare an estimate of the damage to the company,-the loss of production, lost or cancelled orders, depreciation, and all other strike costs that have been sustained, then present the bill of particulars to the union and demand that it reimburse the company for these losses. This record of the losses the company has suffered as a result of the strike or stoppage, should prove useful in bargaining and negotiation conferences later. If the union were to be held responsible for these losses, it would exert its utmost ability and influence to prevent violations of the strike-prohibiting provision in the contract.

Even if there is no mutual guarantee against stoppages in the contract, the demand that the union reimburse the company for damages caused by a strike, can be advanced for bargaining purposes, at least. Should the union counter with a demand that management be held responsible when a stoppage is provoked by the actions of some one in the management ranks, there you have a basis for true collective bargaining, rather than a one-sided, offensive-defensive situation.

When Ford Motor Company and the United Automobile Workers-CIO negotiated their 1946 contract, Ford insisted on having a company security clause in the contract which would enforce union responsibility for unauthorized work stoppages. The union raised the point that this could easily be used as a union-busting tactic by management representatives or by any employees who were dissatisfied with the union. Ford

therefore proposed that responsibility for unauthorized walk-outs be placed on the individuals who instigated them, rather than on the union. The company proposal was that a union member be fined \$3.00 a day for his first participation in an unauthorized walk-out and \$5.00 a day for the second offense. Penalty for a third offense was to be discharge by the company. This proposal was agreed to by the union and became a part of the new agreement.

During these same negotiations, which began late in 1945, the union at first demanded a 36 cents-an-hour increase. It said that the company's demands for company security in exchange for union security were a backward step, a "union-busting, irresponsible and strike-provoking document," and part of "a conspiracy of profit-swollen corporations to perpetuate present starvation wages"—(\$1.22 an hour).

The outcome of the wage negotiations was an 18 cents increase. And the company stood by its demands for union responsibility to equal company responsibility. The company counter-proposals included the following proposals for modification of the contract:

"A clause shall be included providing that the union will not attempt to organize or accept into membership employees in the excluded categories (inspection, time, medical, first aid, labor relations, and veterans' departments, production clerks, shop clerks, scheduling clerks, executive car drivers, etc.), and shall deliver to the company commitments from the CIO to the effect that it will not permit any union chartered by it to organize or accept into membership employees in such categories.

"A clause shall be included that neither the company nor the union will interfere with, restrain, or coerce employees either to join or refrain from joining the union.

"The company proposes that the union present a plan . . . which will assure company security through exercise of union responsibility, which the union shop and check-off have not provided; further, that such plan provide effective guarantees against work stoppages and for increased productivity on the part of its members.

"The company agreed in 1941 to the union shop and check-off provisions. Its purpose . . . was not only to give the union the benefit of membership and financial security, but to eliminate a great deal of friction, dispute and downright industrial strife. In return, the company was assured by union representatives that it would receive greater security and that disturbances of the type then prevalent in other plants

<sup>4</sup> New York Times, January 27, 1946

ed

be

al

is

nd

rd

nis

irt

in

ur

for

ere

nd

n-

ate

18

nds

oil-

the

ion

hip

ne,

ns'

lul-

ver

the

y it

s in

om-

, or

ning

nt a

ugh

hop

such

top-

f its

and

y to

ncial

tion,

urn,

tives

dis-

lants

would be avoided. . . . Our experiences in the last four years have substantially dispelled this hope. The peaceful relations have not materialized. The experiment has been an unhappy one. The record shows, for example, 773 work stoppages since the signing of that contract in 1941.

"During this period, the cost to the company of maintaining the check-off system has been huge. Last year, the company spent \$2,814,078.36 in the Dearborn area alone to collect these dues and fees, and to pay more than 1,000 union men in the company's plants who spent all or part of their time handling union business.

"... Last year the union's income through the check-off system was \$2,050,563.71. The result has been that the union has had membership and financial security, but the company has had no compensating security. This has become so serious that unless some provision can be arrived at in our negotiations to require the union to recognize and fulfill a responsibility of its own, the very future of the Ford Motor Company is at stake.

"The company proposes an extension and clarification of the clauses covering the prerogatives of management, including an understanding that all rights not specifically modified in the contract are retained by the company.

"The company proposes that the number of union committee men be greatly reduced and be paid by the union. (Later, Ford proposed adjusting the allocation of stewards to one for each 1,000 employees instead of one for every 250, as provided in the old contract.)

"The company proposes that an employee first present his grievance verbally to his foreman, with an opportunity for the foreman to adjust it, before calling upon the union to intervene on his behalf.

"The company proposes that preferential seniority of union committee men and officers be restricted to permanent layoffs.

"The company proposes that the period of temporary layoff . . . be defined as ninety days rather than thirty days.

"The company proposes that the layoff provisions be modified to provide that under certain circumstances relating to the productive efficiency, . . . seniority shall be a secondary consideration in selecting employees to be laid off and that the primary considerations shall be knowledge, experience and ability.

"The company proposes that demotions shall be made first on the basis of merit and ability, and where these are equal, on seniority. "The company proposes that seniority lists shall be made up every 90 days rather than every 30 days.

"The company proposes that the loss of seniority provision be modified to provide that seniority shall be broken by (1) overstaying of a leave of absence, or violation of the provisions relating to leaves of absence, or (2) 12 months' consecutive unemployment. The company also proposes that union approval of the settlement shall not be prerequisite to loss of seniority in connection with settlements on account of total disability.

"Leaves of absence for personal reasons shall in any event be permissive rather than compulsory, and employees shall not work in any other position, including self-employment, unless agreed to by the company, during the leave period.

"The company proposes that the section relating to leaves upon union request be amended to limit the number of employees who can be granted such leaves to one for every 1,000 employees.

"The company proposes a section which will effectively prevent either strikes or other interferences with production on the part of the union and the employees for the duration of the contract.

"The company proposes a provision whereby the union undertakes to reimburse the company for any damages it may suffer by reason of violations of the provision prohibiting strikes. (Later, Ford specifically defined this financial responsibility as a penalty of \$5.00 a day for each unauthorized striker.)

"The company proposes . . . that no notices shall be distributed or posted on company property by the employees or the union except on the duly authorized bulletin boards, with all notices to be approved and posted by the company.

"The company proposes a provision whereby the union agrees that its members will obey the rules and regulations of the company as published and will recognize that the company has the right at any time to adopt reasonable rules and regulations not in conflict with the agreement.

"The company proposes the elimination of the section of the present agreement which provides for the payment by the company of transportation fare and travel time for employees assigned to work in plants outside the general locality of the plant in which he is normally employed.

"The company proposes . . . that specific and reasonable rules governing performance of production work by foremen, be provided.

"The company proposes that . . . the section of

the termination provision be rewritten to make the contract terminable at the end of one year on notice by either party. (30 days' notice was required in the old contract.)

"The company proposes a clause providing that the umpire (in a dispute) shall not have power to decide any question . . . within the exclusive prerogative of the management.

"The company proposes that the call-in pay provision be amended to make it specifically understood that the company shall not be liable for call-in pay in the event of labor disputes occurring at plants of suppliers which cause interruptions in production in the company's plants.

"The company proposes that vacations be proportioned to the amount of work actually performed by the employee during the preceding year and that the 45-day allowance for absenteeism be reduced to 30 days." 5

# Further Company Demands

Management will profit by the example set by the Ford Motor Company in making counterproposals of a positive nature. The following are further suggestions for company demands, taken at random from published records of other union-management negotiations.

General Motors, in an effort to end its strike in February, 1946, proposed that "The new contract, among other things, shall include proper provisions to assure General Motors of uninterrupted and efficient production," and "In the matter of union security, General Motors would be agreeable to a provision that would provide the deduction of union dues by General Motors for the convenience of the union and its members, but which would not require General Motors to discipline or discharge an employee at the request of the union because of any difficulties he may have with the union.

The demand for increased productivity is the most positive demand that a company can make. The company can call for increased production in several departments that have not been producing up to par, or the company can base the effective date of wage adjustment on the employees' meeting of a prescribed increase in volume of output.

Management may demand the elimination of all clauses previously conceded to the union that have proved to be drawbacks to the company or that the union has been abusing. The seniority clauses may be among these. If seniority has been the basis for pro-

motions, demotions and layoffs in the past, the company may propose that in the future merit and ability will be considered first, and only where these are equal, shall seniority control.

The company can propose that preferential seniority for union committeemen be restricted. There may be no justification for subordinating the job security that certain employees have built up by years of satisfactory service, to the necessity of rewarding a new employee who happens to be a union official.

Many companies who are obliged to send monthly or quarterly seniority lists in to the union office may be anxious to be absolved from this tedious chore. They may try coming out with a flat refusal, claiming that the company should not be required to perform book-keeping and recording-keeping functions for the union that the union is perfectly able to do for itself. The union officers can easily compile their own data on hirings, layoffs, discharges, transfers, etc., by requesting the information from the personnel office.

The management may see the advisability of restricting the leave of absence provisions. It may then propose that leaves may be granted only if the foreman and personnel department approve, and only emergency leaves may be granted at times when employees have important work to do. Leaves of absence should be made permissive, rather than compulsory. Leaves for union business should also be restricted. The company should be protected against union requests for an unlimited number of its members to be away from work for an unlimited length of time.

The company could propose that a clause be included in the contract guaranteeing that union officials will not seek grievances but will spend their time adjusting and settling them only.

In the past few years, the shop steward system has become badly abused. Of course, no company official knows how much company-paid time a union steward spends in actual settling of grievances while not engaged in productive work, but every foreman knows that some of the stewards' activities include a certain amount of coercion, organizational pep-talk, and occasional company-baiting. Certainly not all the union sales talk and electioneering are carried on at union mass-meetings.

If there have been abuses of the union steward system, certainly the company should try to eliminate them from the contract. The company should seek to limit the amount of union activity that the stewards may engage in on company time, by specifying the

New York Times, November 16, 1945.
New York Times, Pebruary 15, 1946.

at

S-

W

or

oe

y

at

k-

n

he

on

t-

et-

0-

an

-15

ees

ıld

res

he

sts

ay

in-

als

me

has

cial

ard

en-

SWC

ain

cca-

ion

nion

sys-

nate

k to

ards

the

purposes for which they may spend time away from their jobs. Management could demand that there by no interruptions of production for purposes of duescollecting, soliciting of new members, electioneering, or any other extraneous union activities.

It is no violation of the Wagner Act for the company to demand that union work other than the settling of grievances, be carried on outside the plant. The NLRB definition of "union work" is "work with matters involving both the management and the union within the plant."

If management may want to revise the grievance procedure to require that employees first present grievances verbally to their foreman, calling on the union to intervene only when foremen are unable to make an adjustment, the union will object strongly, no doubt. The union likes to be in on the ground floor when it comes to grievances, so it can feel the pulse of the membership's thinking. And it likes to keep those grievances from reaching management that are not in line with the union's general policy and pattern in bargaining with the company. The union prefers to weed out any grievances that may change the union's plan of procedure in dealing with the company.

# **NORRIS & ELLIOTT, INC.**

MANAGEMENT ENGINEERS 85 EAST GAY STREET COLUMBUS, OHIO

NEW YORK CITY 370 Lexington Ave. CHICAGO, ILL.
333 N. Michigan Ave.

Job Evaluation
Wage Incentives
Standard Costs
Motion Studies
Operator Training

Methods Improvement Layout & Equipment Planning & Scheduling Production Control Inventory Control

# SCIENTIFIC MANAGEMENT ENGINEERS

J. E. KOCHMAR, Chief Engineer 410 Sixth Avenue Lyndhurst, N. J.

Overhead Cost Control

#### **BOOK REVIEWS**

Human Leadership in Industry. By Sam A. Lewisohn, Harper & Brothers, New York, 1945, pp. 112, \$2.00.

This is a most readable and lively book dealing with what the author describes in his sub-title as the challenge of to-morrow—a most important book which directly concerns every citizen. Mr. Lewisohn writes easily and well with the authority of an enlightened industrial leader and one who has devoted much consideration to the primary need of improving industrial management so that it may faithfully honour its privileged responsibility of trusteeship. The improvement sought is in the realm of human values.

The bulk of the people everywhere spend the bulk of their wakeful time in the "world of industry." It has, therefore, become the most potent influence in their lives. From it flows the wealth, well-being and in high degree the happiness of the people. If this be so, then the urgent task is to make this influence good and true. This involves an earnest striving to achieve better government (or management) of the world of industry.

Such progress can only come, first, from the sincere belief that the primary purpose of this industrial world is to render service; and secondly, from a determination to achieve this end by anchoring the managerial policy to democratic principles which recognise the supreme worth of the individual. Such a management will strive not only to produce good things. but will combine with this worthwhile objective the great privilege and responsibility of building up good men. In a phrase, if man is to take the right turning at the cross-roads now reached, he must realize that political democracy is not enough. This must be combined with industrial democracy, to complete the story, and make a fuller and happier life possible for all. That is the dominant issue facing all people, and the inescapable challenge to the political democratic structure, astride some 200 million English speaking people, and still shining forth as a beacon light through the labours and sacrifices of those who have gone before. This structure has stood the test of many storms; and I doubt not it will enable us to weather this one, despite the hurricane force of its impact.

This world picture (essentially my own) of the powerful forces surging within political and economic spheres and sign-posting great change, should give point and purpose to many of the potent things said in this book. One of its faults is that Mr. Lewisohn's fine and understanding analysis of the human problems—with the pattern vividly before him of American industrial enterprise, still anchored to the cherished "free" enterprise—does not co-relate this need for better human management with the greater whole. But much said reveals that this deeper issue—the spreading of democratic leadership to every nook and corner of the economic world—is not far removed from his conscious mind. For example, he says on page 6:—

"Democracy has its defects but also its compensating advantages—advantages which to a large extent are intangible. No other system is compatible with the dignity and self-respect of the individual."

And then on page 7 is this illuminating passage which is the crux of the book:

"Running all through the complicated pattern of our industrial life, and even in our non-commercial administrative activities, is one strand which is essential to the strength of the fabric—sound human organisation. It combines all that is suggested by the terms 'scientific management' and 'the human factor in industry.' Changes in control or status are comparatively superficial if this problem is not given first attention." A small book of 112 pages, with good index, and divided into six chapters, it is so readable that it grips the reader until the last page is reached. This should commend it to the vast team of men and women in industry who are exercising the function of management, and who could not fail in reading the book to derive inspiration and food for reflective thought. Especially should the book get into the hands and hearts of the vital foremanship groups.

Chapter I deals with "The problem child of industry"; the evolution of a pattern of organisation in which "the principle of self-determination be harmonized with the principle of efficiency." In Chapter II the author courageously tackles what he describes as "The capitalistic legend" without, I think, appreciating fully the implications of many of the wise things

said. A pregnant passage is this:

"The politician accumulates units of political power—votes and patronage—much as the financier accumulates units of economic power—money and the right to hire and fire."

It leads us to the predominant issue in human affairs which is simply this: How can power, necessary in any form of organisation, be conferred on an individual with reliable safeguards to prevent its abuse? Lord Acton's famous saying: "Power corrupts; absolute power corrupts absolutely," contains a potent message now when its profound truth is illuminated in the ghastly (though fading) light of recent world events. The answer is democracy. The granting of power only under conditions, and within a system, both devised to remove quickly the granted authority should it be found that the leadership is not satisfying the wishes of the majority over whom the power is exercised.

Chapters III, IV, V, and VI, respectively entitled "The Mind of the Employer," "Managers of To-morrow," "Unionism and Effectiveness," and "The New Leadership," all deal with the cardinal issue of sound management-labor relations and its pre-requisite, enlightened group leadership. This question can only be resolved to the satisfaction of all concerned when the psychological atmosphere is right. And in the reviewer's opinion, this means putting first things first, and reaching agreement on the over-riding consideration of the purpose of industry; whether or not that primary objective is to serve the community more abundantly. In Great Britain, where this is written, the people with almost unanimous voice have answered this question in the affirmative. They have registered the wish that their Government should more virogously seek to improve the whole economic and social pattern so that it may contribute to a fuller life. They recognise, and agree to, the need for an appropriate partnership between Government (representing the Community), and Industry, to achieve this end.

This revolutionary challenge now facing every Government clearly colours much of the good sense which Mr. Lewisohn writes, and it seems a pity that he does not carry his fine reasoning to its logical and inevitable conclusion. For example, in Chapter V he writes:

"What are the main things for which society is striving in the industrial system—a system certainly as important to man as the political structure? I think we can safely say there are two main objectives, namely, the greatest possible production and the maximum development of each human being." (The italics are mine.)

I applaud this, but implicit in the statement quoted, is the demand to create a real industrial democracy in which—as with the political democratic systems, every member of the industrial family will have an appropriate voice in the kind of government (or management) to which his daily labors are subjected. Surely this goal cannot be reached without radically changing the working of the capitalistic system as we have known it; unless we orientate our whole outlook on individualistic competitive enterprise upon which capitalism thrived during the 19th and early 20th centuries; and only by recognising that group cooperation for the common good is the key opening the door to that better and kindlier economic and social pattern which all national groups must weave if mechanized civilization is to endure.

And the right use of this key depends on education—viewing the individual as a unity of physical, mental and spiritual attributes—which is applied throughout the whole life span to foster healthy growth of the full personality. In this sense further education, interpreted on a broader and deeper basis than we have ever known, holds out great hope for the future; and if industry is to evolve aright, it must, in partnership with education, play an important role in this further educational process.

A. P. YOUNG

Borrowell, Kenilworth, England

Big Democracy. By Paul H. Appleby, Alfred A. Knopf, New York, 1945, pp. 197, \$2.75.

"Big Democracy" makes a mature and philosophical contribution to administration by a leading Federal administrator. However, the volume is not limited to public administration, which is simply the means for achieving ends determined in democratic America by the "political" process. This process is broadly conceived by Mr. Appleby as all the means by which the will, desires and needs of the people are registered on Government, whether by elections, or by the Congress, or through the leadership of the President, or by organized and individual expressions by the public. In a society where big Government has come into existence along with big business, big labor, and big agriculture, he poses the question, how can this government serve its citizens responsibly and responsively?

The author of this volume has been in Federal Government activities since 1933, having served until 1940 as Executive Assistant to the Secretary of Agriculture. More recently he has carried domestic and international assignments and is now Acting Director of the Bureau of the Budget. From his own experience, Mr. Appleby knows the complex task of unifying the activities of field offices and divisions and bureaus into one department; and he has seen the relations of departments with the President and the central staff of the Executive Branch, and with the Congress and the public.

The job of Federal administration on its highest level is to organize for integrated action that will be acceptable to the public. This continuing accountability to the public is just as

. 3

in

an

ате

ion

he

the

ith

rial

ent

ely

the

ess

ive

and

op-

hat

all

to

ing

ual

1 to

nse

asis

re;

hip

ca-

pf,

ical

nis-

tra-

din

s is

nich

on

Or

and

big

ess,

can

ely?

ent

tive

he

ow

own

ring

one

vith

ich,

s to

the

t as

significant as the great size and complexity of operations. Good government requires continuous reconciliation of administrative, political and technical considerations.

Mr. Appleby stresses the dual function of the top administrators. To personify policy and action in their field, they need to be colorful popular leaders. But they must also function as operating heads of complex organizations. Of course they must have "governmental sense, the ingrained disposition to put the public interest first." But "there is no more difficult problem than that of getting at the highest level persons sufficiently broad in their perceptions and with enough capacity for the abstract to deal effectively with the issues that require to be settled at that level . . . Up to now we have advanced . . . by specialization, but the practical need for generalization and synthesis has grown in geometric ratio . . . Handlers of artifacts we have in abundance, but we have a desperate and growing need in our day for men and women who can deal in relationships." There is the "crucial need of abstract, generalizing minds at the top-minds interested in ideas, concepts, analogies and relationships, and possessed of a political sense and a leader's feel for action."

Administration under law is essentially a system for reaching agreement, for deciding courses of action and getting them accepted. "Management consists much less in giving orders than in inducing or in organizing to secure agreement. Orders are seen as the formulation of what has been or will be agreed to." Where the factors are complex, the process of securing administrative unity becomes complex also. Coordination of interests, judgments and attitudes is necessary, bringing to bear upon the specialized segments of Government the organizational interests and technical competences of the whole. All this calls for organized unification of structure and organization to facilitate decision and action. What results is a product to which no great number will object, for which no better alternative was clearly available, and subject to change in the light of experience. This organized product calls for an intricate process of consultation and clearance, including communication with the public. To ensure administrative unity, the channel must be wide for the flow of ideas to and from the central authority. Moreover that authority must be supported by stimulation and constructive criticism. This requires a team of complementary officials. In a large organization the head cannot by himself secure unity of action. He must have a staff which maintains a bridge between the planners and doers and between policy and the administrative process. The staff has a special responsibility for improving administrative management throughout the organization.

Structural balance is necessary so that issues are not smothered but come to a focus for decision. Many issues of policy between organizations must be settled by the head of the department or by the President. The emergence of these issues is necessary and healthy, although often criticized by commentators.

While in any farflung organization many operations must be decentralized, there is need for control by providing a channel running to the center of effective responsibility. Administrative mechanisms not controllable by a top executive are not manageable by the people.

Stress is laid by Mr. Appleby on the dynamics needed to offset the tendency of older organizations to petrify. If an agency is to succeed, the energies and abilities of its employees

must be enlisted. Democratic spirit and techniques in the organization are related to better service to the public, which is the goal of all public administration.

### MARY CUSHING H. NILES

Assistant to the Chairman, Council of Personnel Administration, U.S. Government, Washington, D.C.

Labor Policy of the Federal Government. By Harold W. Metz, The Brookings Institution, 1945, pp. 284, \$2.50.

The purpose of this book according to the author's introduction is to survey the labor policy of the Federal Government. But from the title, one expects a forward-looking analysis of what that policy should be. Unfortunately, the author takes the easy way, he states that his study is not concerned with whether or not the policies obtain their objectives, or whether those objectives are desirable. The basic question is whether this sort of reasoning is desirable or possible. From a historical viewpoint some academic people may find the presentation helpful. The cases cited for illustrative purposes give the impression that courts and boards are excessively pro-labor, yet this is important only by reference to some suggested approach.

After a short development of national labor policy, Mr. Metz approaches the problems of government and the concerted action of employees, collective bargaining and collective agreements. Next comes a discussion of the government's policy toward union organization, the labor market, and conditions of employment covering union preference, wages, hours, child labor, and safety. In its conclusion the book deals with a discussion of the settlement of labor disputes, and a brief chapter on major trends.

This treatment is merely a summary of common knowledge. It could be useful as a guide to action both individual and public. But this is just where the book falls down, because with this background some concrete, well-supported proposals seem to be in order. This omission makes the title illusory and the conclusion a let down.

#### JOHN R. HIGHMARK

The Amos Tuck School of Business Administration, Dartmouth College

Collective Bargaining. By Leonard J. Smith, Prentice Hall, Inc., New York, 1946, pp. 416, \$3.75.

This is another of the books intended to slake the thirst for information on ways and means of collective bargaining and the contents of collective agreements. But this need should hardly be abated by this volume. More than half of the book is given over to a glossary of terms, sources of information, bibliography, illustrative labor agreements and specimen contract clauses. The labor agreements and contract clauses are set forth without comment. All comment on the process of collective bargaining and the contents of the agreement is so sparse that in most cases no more than a couple of paragraphs are allotted to a subject. Under every subject treated after the introduction, certain questions are propounded to the reader to consider in making

an agreement. These are at times obscure and confusing and sometimes contradictory. All this would be avoided if the author would have answered the questions himself. There is no analysis and the treatment of the various subject matters of the contents of an agreement does not go beyond identification of terms and a few truisms.

A caveat must be issued to the reader in regard to some comments which may be found in the book on the law of collective bargaining. For instance, the author leaves the reader with the idea that the employer has a right to give preferential treatment to union members where the union is not the exclusive bargaining agent in such subjects as seniority, promotion, hours of work, vacations and other conditions of employment (p. 65.) This is contrary to section 8 (3) of the National Labor Relations Act which prohibits discrimination in regard to employment with the purpose of encouraging as well as discouraging membership in a union. Irrespective of the exclusive bargaining status of the union it may not be given preferential treatment for its membership in regard to conditions of employment.

When the author, however, treats the things that really matter in bargaining he gives of himself unstintingly and the reader is rewarded with sound advice. Negotiators will find most exact and acute guidance to their problems, such as the physical set up of negotiations, the negotiating room, timing of sessions and matters of similar calibre. The author counsels to have recess rooms connecting up with the negotiating room: "it might be desirable to have the recess rooms equipped with easy chairs, a wash room and possibly a bed." (p. 42)—is that all? In order that the participants should at all times be able to look at each other during the negotiations the author compares from this standpoint a rectangular table, a round table and a pear-shaped table and commits himself to the last. There is an accompanying full page chart illustrating the "Basic Types of Negotiating Tables," (p. 43).

It is highly regrettable that this book has not come out before the last wave of strikes. Who knows, it might have avoided many misunderstandings and work stoppages if its trenchant strategy on collective bargaining had been heeded.

JOSEPH ROSENFARB

Arbitrator, Labor Relations Consultant, New York

Changing Your Work?: A vocational guidance manual. By J. Gustav White, Personnel Counselor and Rehabilitation Officer, California State Department of Education, Association Press, New York, 1946, pp. 210, \$2.50.

Reading through "Changing Your Work?" gave me hope that applied psychologists are beginning to leave their ivory towers and get down to earth. It is a practical, readable guide to the man or woman who wants to change from one job to another and wishes to find a lifetime career in the new vocation.

Many personnel men could well study it because most of the analytical approaches it suggests for the individual are equally applicable by an employment interviewer.

Utilization of the principles outlined would enable a person to discover his major aptitudes, personality strengths and weaknesses, determine the general field of work for which they make him best fitted, discover the job in that field which would hold most long-term opportunity for him, and even take the initial steps necessary for landing that job.

Strongest emphasis is placed on self-discovery. Examples are given of the different general types of individuals and the most frequent reasons given for wanting to change jobs. Some examples demonstrate how potential liabilities may be turned into cashable assets. This is especially true with the physically handicapped, an illustration being given of a miner who lost his right arm but learned how to write with his left hand. As a bookkeeper and record clerk, he earned more than he ever had while in the mines.

The lesson of the book is one which individuals and personnel men must utilize if peak labor productivity is to be achieved. Emphasis in analysis must be placed on the qualities a person has to offer—his abilities, potentialities and personality—and their relationship to the changing requirements of job titles. The positive must be the first consideration, with negative elements taken into account.

In chapter 12, Mr. White presents a technique of self-analysis leading to the development of an objective qualifications inventory. It will help an individual to have just a little more to offer as a job applicant than one who has not attempted objective self-appraisal. The result can only be similar to that reported by veterans after job counselling guidance: "When we know all we have to give, and offer to give it, employers are willing to pay us more than we thought of asking."

BERNARD HALDANE

Associate Editor, New York Journal of Commerce, and General Director, Executive Job Counselling Service, New York City.

The Personnel Program of Jack and Heintz. By Roswell H. Ward, Harper & Brothers, New York, 1946, pp. 146. \$2.00.

The manufacturing firm of Jack and Heintz came into national prominence during the war through its unique labor policy. Mr. Ward's little book aims to shed light on the personnel program of the Company and the reasons for its great success.

Jack and Heintz, says the author, "have adopted as a basic and controlling policy the threefold concept that the objectives of management and labor can be, and are, identical, that there must be an equitable sharing of the rewards of work well done, and that there must be a coordinate sharing of the risks of bad business conditions."

A careful perusal of the book fails to disclose any specific methods of "sharing the rewards of work well done," if by that is implied the sharing of profits over and above a fair wage, or even any incentive payments such as piece work or production bonus. The only opportunities for increased earnings described in the book are: (1) a consistent adherence to a system of filling vacancies in higher skilled, better paying jobs through promotion from lower grades, (2) overtime at the usual time and-a-half rate, and (3) through purchase of preferred stock of the Company. None of these features presents an element of novelty and in themselves cannot account for the unusual success of the Company in its labor relations.

What is unique and is so well and fully brought out in the book is the spirit of the management-labor relations which . 3

tial

are

the

ome

ned

ally

his

ok-

hile

nnel

red.

con

and

The

ents

ysis

ions

e to

iec-

that

1 We

are

E

and

New

well 946,

into abor songreat pasic tives there lone.

bad

ecific

that e, or

ction

ribed

illing omo-

-half

Com-

and f the

the hich

emanates from Bill Jack, the head of the Company. Through the public address system installed in the plant he talks frequently, almost daily, to his employees whom he calls "associates." In these talks, delivered in the plain vernacular of the shop, he takes the workers into his confidence and keeps them posted on every development of the business as it affects the affairs of the Company and its employees. No change in the plant, such as the introduction of new machinery or changes in work methods, is adopted without Bill Jack informing the workers in advance, through his public addresses, of the reason and object of such change or innovation. They are made to feel that they are true associates of the business which prevents the kind of surprises which makes workers in large plants suspicious of management.

What is usually termed as "welfare work" is developed at Jack and Heintz to a high degree. Employees are insured at the expense of the Company for life (\$2500), health and accidents. A credit union renders financial aid in emergencies. A well equipped and well manned medical and dental service keeps minor ills from developing into serious illnesses by making medical help available free of charge at the place of work without loss of time and earnings. Last, but not least, is the institution of "good will ambassadors," who are social workers circulating regularly through the shops to be available to workers seeking aid or advice in their personal or family problems and troubles.

Workers are furnished a good, nourishing lunch at the Company's expense. They can stop at any time during working hours when they feel fatigued, and help themselves to a free snack of coffee, tea, hot chocolate or bouillon, they can stop for a smoke or just relax if they feel tired, without fear of being bawled out by a foreman for loafing.

The experience of the Company shows that these unusual privileges are not being abused and pay handsome dividends in the negligible extent of absenteeism or reporting late for work in a force numbering several thousands and working twelve hours a day, seven days a week through the years of the war. Good will permeates the entire force.

That these features, coupled with free opportunities to air and adjust grievances through a well established procedure under a closed union shop organization, would prove as helpful in other plants is quite likely.

There is room for doubt, however, that the absence of incentive payments would yield as satisfactory production results in plants in which the worker has greater control over his output than he does in a plant of the type operated by Jack and Heintz. A man working at a lathe and similar machines used by Jack and Heintz, is a machine tender whose output is determined by the speed of the machine which is under the control of management. Not so in plants like a clothing factory, for instance, in which the machine, no matter what its speed, is but a tool in the hands of the operator, with handling time frequently exceeding actual machine-operating time. In such plants, incentive payment of some kind has proved to be the only successful means of avoiding soldiering on the job.

However, the democratic approach to personnel relations coupled with all the welfare features described above, constitute in their aggregate a unique system of management-labor relations creating an atmosphere of good will which should prove helpful in the adoption of a system of incentive pay, mutually satisfactory to management and labor.

N. I. STONE

Consultant, New York, N. Y.

# Mark Your Calendar SECOND ANNUAL HUMAN RELATIONS CONFERENCE

October 31, 1946

Hotel William Penn, Pittsburgh, Pa. A National Conference of the S.A.M.

Among the speakers will be Guy B. Arthur, Jr., Vice President of the America Thread Co., Thomas Roy Jones, President of American Type Founders, Clinton S. Golden, Advisor and Consultant of the United Steelworkers of America, and Charles P. McCormick, President of McCormick & Company.

The second annual Human Relations Award of the Society for the Advancement of Management will be presented during the Dinner Meeting.

# Purposes of the Society for the Advancement of Management

The purposes of this Society are, through research, discussion, publication and other appropriate means:

- 1. To forward the elimination of waste and the development of efficiency through the study and application of scientific principles and methods of management.
- 2. To bring about a better understanding of the mutual interests of government, management, investors, labor and the public in improved management.
- 3. To provide means whereby executives, engineers, teachers, public officials and others concerned, who apply scientific methods to management problems, may promote this common interest.
- 4. To inspire in labor, manager and employer a constant adherence to the highest ethical conception of individual and collective social responsibility.

The Society welcomes to its membership all who are inspired to participate in the advancement of management and enjoy the fellowship of those working toward the same purposes. Application for membership can be made through the local chapter membership committee, or by writing direct to the national office at 84 William Street, New York 7, N. Y.

